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NEWS SUMMARY

GENERAL

Japan faces spy scandal

Japanese police have arrested two former major-general and two active junior officers of the ground self-defence force, in what may be the most controversial case of espionage since the Soviet Union in Japan.

The men may have sold the Soviet military secrets, equipment and strategic policies. There are suggestions that the Chief of the Defence Agency, Enji Kubota, may resign. Back Page

Sunni recognition

Asyadollah Khomeini, leader of the Islamic revolution in Iran, has cleared the way for a constitutional amendment which should alter the tense relationship between the country's majority Shia Muslims and minority Sunni Muslims. Page 2

Officer killed

An Ulster prison officer was found shot dead in the wreckage of his crashed car near Linsay, Co. Londonderry. The unnamed officer, aged 35, was the first to be murdered this year, and the 18th to die in the IRA's campaign against the prison service.

Soldiers caught

Three soldiers who broke out of an army detention centre in Northern Ireland on Saturday were back in custody. One gave himself up to the police and the others were captured in Co. Down.

Jewellery change

British jewellery design may undergo fundamental changes as manufacturers reduce the amounts of precious metals in their products, because of the soaring price of gold and silver. Page 3

Basque bombing

Four people died and at least 10 were injured when a bomb exploded in a bar in Bilbao, the Basque provincial capital, on Saturday. The bombing, which brought the death toll from political violence in the region to 10 this year.

Summit call

President Anwar Sadat of Egypt supported the suggestion of Israeli Prime Minister Menachem Begin that another tripartite summit with President Carter was needed to solve the problem of Palestinian autonomy. Page 2

EEC strike off

A last-minute change of position by West Germany has almost certainly averted a strike over pay demands threatened by 1,600 staff at the Council of Ministers in Brussels.

Nkomo plan

Patriotic Front leader Joshua Nkomo urged the integration of his own forces with those of the Rhodesian security forces in order to avert another war after the February elections. Page 2

Briefly

An attempt to televise House of Commons proceedings seems likely to fail, after 33 per cent of MPs who took part in an opinion poll said they were against the idea. Page 3

Former Indian Premier Charan Singh was re-elected leader of the opposition Lok Dal (People's Party).

Forensic experts were investigating a fire at a holiday home in Wales, after several attacks on similar properties in recent weeks.

BUSINESS

ITT may hive off UK drugs concern

ASHE CHEMICALS, the British subsidiary of ITT which manufactures pharmaceuticals and was acquired by the U.S. conglomerate in 1972 for \$8.9m, may now be sold. The price is likely to be over \$10m and the sale fits into an ITT policy, aimed at divesting itself of non-electronic concerns in Europe. Back Page

EUROPE'S 11 leading manufacturers of drugs will tell the Brussels Commission that their market - sharing "price cartel" has been abandoned. Back Page

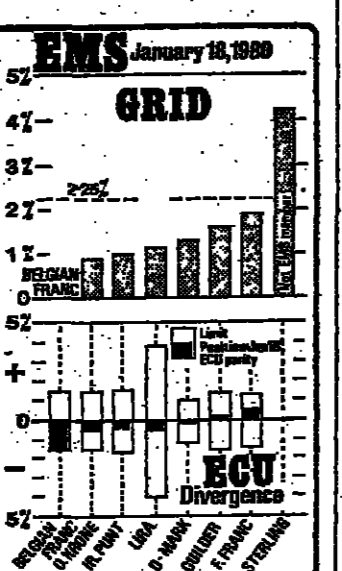
CONSUMER CONFIDENCE is at its lowest level since 1975, according to the latest FT survey, at minus 41 per cent against minus 40 per cent last month and minus 27 per cent a year ago. There is no sign of a recovery. Page 3

ANDREW BRITTON has been appointed to run the monetary analysis and forecasting unit at the Treasury. Page 3

STEEL STRIKE has not yet harmed fuel industries, but if it extends to private sector steel plants, the power demand sharply. Electricity Council finances will suffer. Page 3

EASTERN AIRLINES of the U.S., which is buying 25 European A300 Airbus airliners worth about \$900m (\$395m) is now considering another purchase to double its Airbus fleet. Back Page

FOREIGN EXCHANGE trading was quite but nervous last week. Gold rose to new highs and sterling moved erratically as high interest rates and demand for Government stock were matched by mounting fears about the steel strike. The main factor in European currency trading was the rise in Sweden's discount rate, which did not directly affect the European Monetary System. Italy's Foreign Trade Minister discounted lira devaluation while the currency remained in the middle of the EMS. The Danish krone, devalued twice since last March, again fell and by Friday was the second weakest currency, ahead only of the Belgian franc. The French franc has been the strongest EMS currency since late December.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2% per cent. The lower chart, gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

CATERPILLAR Tractor of the U.S. the world's largest manufacturer of earth-moving equipment, had its final quarter earnings for 1979 virtually wiped out following a long strike. Page 16

New moves likely soon for steel strike negotiations

BY CHRISTIAN TYLER, LABOUR EDITOR

Further efforts to bring the steel unions and the British Steel Corporation back into negotiation are expected in the next few days as the strike approaches its fourth week.

Officials of the Advisory Conciliation and Arbitration Service will probably interview both sides to break an increasingly serious deadlock. Today the Prime Minister will involve himself for the first time in an industrial dispute when he meets Mr. Bill Sirs of the Iron and Steel Trades Confederation and Mr. Hector Smith of the National Union of Blastfurnacemen.

Later she will see Sir Charles Villiers, BSC chairman, and Mr. Bob Scholey, chief executive.

Although Mrs. Thatcher can be expected to put considerable pressure on the union leaders to look again for a negotiated settlement, she will offer no instant solutions to their members' pay grievances.

Sir Keith Joseph, the Industry Secretary, categorically rejected yesterday the suggestion by Mr. Sirs that some of BSC's £450m allocation for the Government for the next financial year for investment should be diverted into steelworkers' wage packets and redundancy pay.

He repeatedly stressed, in an interview on independent television, that "taxpayers' money" could not be used to fund the steelworkers' pay rise.

Sir Keith, with Mr. James Prior, Employment Secretary, explained the Government's position when he met Mr. Sirs and Mr. Smith on Saturday.

Although hopes of a settlement appeared to have been lifted slightly by the involvement of Ministers, there was no sign from the BSC last night that it was ready to shift toward the unions' conditions for re-summing negotiations.

The real stumbling block is the corporation's refusal to make available any new money at all unless that money is saved by further job losses and more efficient working. The unions insist that a substantial part of the eventual pay rise should be free of strings.

Mr. Sirs said yesterday at a rally of steelworkers in Wolverhampton that he did not expect to get anything out of the meeting with the Prime Minister. "But she will learn the truth of the situation from me."

Until there was more money on the table there could be no settlement, he said. "I would die of shame rather than accept the present offer."

But he saw the Ministers' involvement as "a bit of crumbling of the iron wall." The BSC had to respond to the

unions, and people were "searching around to see how they can get out of this dilemma."

Despite the gulf that still remains to be bridged before any kind of productivity bargaining can begin, Ministers closest to the dispute believe it not unbridgeable.

This belief has strengthened their determination not to risk the Government's credibility by positively intervening in any talks—a course of action that would in any case be unpopular with BSC itself.

Elmer Goodman writes: There were signs yesterday that other Ministers were increasingly anxious that a solution be found before damage to other nationalised industries added to their losses and threatened their cash limits, and before private industry was crippled.

The threat to other sectors of the economy will intensify if the private steelworks are shut, as decided by the ISTE, in a week's time.

A number of Sir Keith's colleagues say that he has not helped the situation by his dogmatic approach.

Continued on Back Page
Editorial comment, Page 10

CBI plan for working hours on 'annual time budget'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SUGGESTION that working hours might be calculated on an "annual time budget" instead of on a weekly basis is instead forward today by the Confederation of British Industry as part of a possible plan to meet Britain's industrial and social requirements of the next decade.

This could open the door to cutting working hours while avoiding cost-raising changes in work practices.

It is one of six proposals on employment and productivity tabled by the CBI for discussion with the Government and the TUC in an attempt to generate 2.5m new jobs over the next decade and to make industry more profitable.

The CBI says measures either to reduce the supply of labour or the amount of time actually worked should be studied against the need to improve productivity and profitability.

It is putting forward these proposals as trade unions lodge claims with employers for a shorter working week and longer

holidays and when the TUC is urging that the introduction of new technology should be accompanied by cuts in working hours.

The proposals will be on the agenda for joint talks between the CBI and TUC, which were agreed in principle at the National Economic Development Council two weeks ago, and which should take place within the next few months.

Explaining its annual time budget idea, the CBI says: "It could be that in certain circumstances increased holiday entitlement or an extra shift can be more easily absorbed in cost and production terms than a reduction in the length of the shift or the working day."

"It may be sensible to consider hours as part of an annual time budget rather than in relation to the normal working week. This would be one way of achieving maximum flexibility throughout the year, including holiday provision."

The idea of introducing

agreements bringing manual and office workers into a single status is also backed by the CBI, which says that a joint approach is needed to the whole problem. "Without it the real danger is that, sooner or later, bargaining pressures will force through reductions in hours—perhaps after damaging disputes—which will make British industry less competitive."

Also included in the CBI's list of six proposals on employment and productivity is the need for a broad agreement with the Government and unions on the scale of potential unemployment and in particular the employment implications of new technologies.

The CBI also wants agreement on increasing productivity, improving the work of the labour market, retirement age (which it says could be fixed flexibly between 62 and 70), and education and training.

Launching the report at the weekend, Mr. Richard Dixon,

Continued on Back Page

Ministers back 'enterprise zones'

BY ELINOR GOODMAN, LOBBY STAFF

MINISTERS ARE understood to have agreed in principle to the idea of setting up about six "enterprise zones" in which regulations and public charges would be kept to a minimum as a means of attracting business back into run-down areas.

The package of incentives which looks like emerging over the next few months will almost certainly include rates relief for companies starting up business in these areas.

This will involve a small increase in public spending at a time when the Government is

looking for big economies. But the idea of enterprise zones seems to have enough powerful backing in Cabinet to ensure its survival in some form when it comes up for a final decision.

Precise details of the scheme, which was originally proposed in Opposition by Sir Geoffrey Howe, the Chancellor of the Exchequer, still have to be agreed. So, too, has the list of areas involved. Ministers have studied a long list of possible areas including some of those worst hit by steel closures.

The argument now seems to

be whether the zones should be set up in those areas where the need to create new jobs is greatest or in areas where they might stand a slightly better chance of demonstrating the practical advantages of cutting down on red tape and offering businessmen the incentives they say they want to start new enterprises.

The basic idea, however, remains that the zones should be used to encourage businessmen back into areas which have become steadily more run-down over the years.

Rift over flags of convenience

BY WILLIAM HALL

A MAJOR rift has emerged between the developing countries and the developed countries over controversial plans by the Nations Conference on Trade and Development to phase out flags of convenience shipping.

Last week, the Group of 77 representing the developing countries presented a draft resolution to an UNCTAD working party calling for the phasing out of the flag.

It had been hoped that this would give a basis for discussion with other UNCTAD members. However the majority of developed countries have come up with what are effectively counter-proposals, although they refer to them as their conclusions and recommendations.

The developing countries want flags of convenience to be phased out and the developed countries do not.

The UNCTAD meeting in Geneva is discussing the desirability of phasing out the flags and the possible effects on world shipping. The working group first met in 1978 and was reconvened after last year's meeting of UNCTAD in Manila.

Since under-developed countries provide 90 per cent of the tanker cargoes and over one-third of the dry bulk cargoes, it is argued that they should be given the right to a bigger share of the world fleet.

The UNCTAD secretariat has argued that one of the main ways the West maintains its dominance over bulk shipping is by registering many of their

vessels under flags of convenience. This enables them to hire cheap crews and pay little tax.

Flags of convenience shipping fleets have been growing rapidly in recent years, and account for nearly one-third of total world shipping.

In drafting their resolution, the developing countries made a number of concessions. They said that flags of convenience should be phased out over "a reasonable period of time"—originally ten years has been suggested.

In addition the Group of 77 suggested that any decision on the legal mechanism for phasing out open registries (the technical term for flags of convenience) should be left to the Committee of Shipping which meets in the autumn.

Tito rests after left leg is amputated

BY ANTHONY ROBINSON

PRESIDENT TITO of Yugoslavia was recuperating last night after the amputation of his lower left leg. Officials reported after the operation that his general state of health remains sound.

The eight-man medical team attending to the 87-year-old President is believed to have delayed the operation at President Tito's request. But the onset of gangrene after last weekend's unsuccessful blood clot removal operation forced them to act.

Top party and Government officials have been in attendance at the Ljubljana clinic in Northern Yugoslavia where the operation was performed. Elsewhere, the Press and radio have insisted on the need for national unity and vigilance.

The armed forces remain on a state of low alert and anti-aircraft guns have been installed near Belgrade airport.

The President continues to receive a stream of get-well messages and the Albanian Communist newspaper Zeri i Popullit yesterday promised that Albania would fight alongside Yugoslavia if ever Yugoslavia were attacked.

Albania's message of support indicates the degree to which Yugoslav-Albanian relations have improved in recent years after decades of fierce Albanian attacks against Yugoslav revisionism.

In general, however, Yugoslav authorities have been less than pleased with messages implying that Yugoslavia is in imminent danger of attack and needs defending. Yugoslavia is appealing for the outside world to take the situation calmly and not to jump to any hasty conclusions.

There have been no signs so far of any military activity by the Warsaw Pact countries in the Balkan area.

Mr. Milovan Djilas, Tito's former partisan comrade who has been in official disgrace since 1954 after calling for more party democracy and criticising the Communist "new class," praised Tito's political cleverness in a Press interview.

Mr. Djilas said he saw no one in the present leadership of Tito's level. Although the Soviet Union was not likely to interfere militarily while Yugoslavia remained militarily stable, "Soviet policy, which is aimed at putting Yugoslavia in a subordinate position, will definitely continue."

Editorial comment, Page 10

Carter calls for Olympics boycott

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

PRESIDENT JIMMY CARTER said yesterday he would oppose the U.S. taking part in the Moscow Olympic Games if Soviet troops were still in Afghanistan in a month's time.

In a television interview, he said he had made his views known in a letter to the U.S. Olympic Committee, senior members of which met Mr. Carter's Secretary of State in another Administration officials in Washington last Friday.

Mr. Carter said he thought the American people would not support U.S. athletes going to Moscow in the light of Soviet aggression in Afghanistan. Specifically, he added that if there were no Soviet withdrawal, the Olympics should be moved to an alternate site, or multiple sites, or postponed or even cancelled.

There appears to be broad political support for an Olympic boycott. Senator Edward Kennedy, for example, the President's chief rival in tonight's Democratic Party caucuses in Iowa, said in another television interview yesterday that he was in favour—but he added, sharply, that he thought that boycotts, whether of the Olympics or of grain sales, were merely symbolic and no substitute for what he charged was Mr. Carter's failure to implement an effective foreign policy.

The U.S. Olympic Committee, clearly aware of the fact that most athletes would prefer to compete in Moscow, has said it will poll athletes for their opinion, noting that the Olympic Games are supposed to foster

individual not national competition. But, by the same token, it might be hard for both the committee and the athletes to resist the sort of public pressure the Administration and politicians in general could bring to bear against their taking part.

In his interview, the President shed little general light on the new foreign policy doctrine he is likely to unveil in his State of the Union message on Wednesday evening.

Seeking to deflect political criticism that, as President, he has been naive about Soviet intentions, Mr. Carter said he had never suffered delusions about long-term Russian intentions but that it was imperative for the two super powers to co-operate as well as to compete.

Mr. Carter was unable to predict an early release of the American diplomatic hostages in Tehran. He was insistent that the U.S. would proceed with its own economic sanctions against Iran but, in a softer vein, he said he believed that responsible officials in Tehran were now coming round to the view that the greatest threat to Iranian security emanated from Moscow and not from Washington.

The President also denied that he had been hiding in the White House at the start of the presidential election year, arguing that, in the international atmosphere of crisis, it would be improper for him to appear in public "in the role of a partisan campaigner" and that in any case his surrogates had ensured that his policy positions were well known.

Kennedy behind in Iowa

MR. CARTER is reckoned to be a solid favourite to beat Senator Kennedy in the Iowa Democratic caucuses. In his television interview, Mr. Kennedy, who only a few months ago was planning a knock-out triumph over Mr. Carter in Iowa and subsequent early primaries, promised to stay in the race to the end at least until he had had the opportunity to attack the President's domestic economic policies.

The roles of Mr. Carter and Mr. Kennedy have in fact been reversed in recent weeks. Riding on the back of a spirit of national unity evoked by events in Iran and Afghanistan, it is Mr. Carter who is trying to inflict a political body blow in the early primaries and not, as he was last autumn, merely promising to fight to the bitter end.

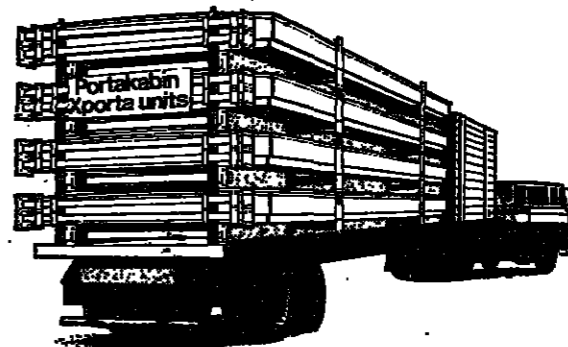
On the Republican side, the Iowa caucuses will be the first test of the strength of Mr. Ronald Reagan. Having deliberately kept himself above the fray so far, the former Governor of California seems to be running some risk from this abstention.

He is still expected to win in Iowa, but his margin may be down to below comfortable proportions. The main challenge appears to be coming from the indefatigable and well organised Mr. George Bush, the former UN Ambassador and CIA director, with Senator Howard Baker from Tennessee believed to be recovering rapidly from a poor early start to his campaign.

Most experts feel that Mr. John Connally, the former Treasury Secretary, will do no better than fourth, with Senator Robert Dole, and Congressman John Anderson and Philip Crane bringing up the rear.

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OVERSEAS NEWS

Khomeini clears way for recognition of Sunnis

BY SIMON HENDERSON IN TEHRAN

AYATOLLAH KHOMEINI, the Iranian leader, has cleared the way for a constitutional amendment which should drastically alter the tense relationship between Iran's majority Shi'ite Muslims and minority Sunni Muslims.

In a statement read on Iran Radio, he said he saw no obstacle to a referendum on a constitutional amendment allowing Sunni Islam to be the official religion in areas where members of the sect were in the majority. At present the constitution gives Shi'ite Islam as the official religion.

The Ayatollah's comments were in the form of a reply to a letter by Dr. Ibrahim Yazdi, his special emissary on provincial problems, after a visit to Baluchistan in December where at least 14 people died and 70 were injured in communal fighting. Since then Dr. Yazdi has also had to mediate in the Gulf town of Bandar Lengeh.

where as many as 50 people died in clashes.

Iran's population of 54m is estimated to be 93 per cent Shi'ite, 7 per cent Sunni, unlike the rest of the Middle East which is predominantly Sunni. Shi'ite Islam has a religious establishment the top echelons of which can advise, as Ayatollah Khomeini does, on everyday matters. Sunnis observe no such hierarchy.

Along with demands for provincial autonomy, the Sunni-Shi'ite differences have been a major problem in post-revolutionary Iran. Baluchis, Kurds and Turkomans—all predominant Sunni—have resisted. Often with armed force. The authority of central government.

Significantly the announcement was made just five days before Presidential elections. The polls are one step in a series of measures to establish a permanent government but

their validity was threatened by the prospect of widespread abstentions in the provinces. Khomeini's latest pronouncement could go a long way to lessen this.

The main Khomeini political party, the Islamic Republican Party, has failed to nominate an alternative candidate after its previous candidate, Jalaluddin Farsi, withdrew when it was revealed his father was an Afghan.

The Qom theological school, the main body of clerical opinion, is backing Mr. Hassan Habibi, the spokesman of the ruling Revolutionary Council. The favourite remains Mr. Abol Hassan Bani Sadr, the Finance Minister.

Mr. Bani Sadr rejected at the weekend any offer of an alliance with the U.S. to counter a potential Soviet threat. "My definition of independence is to be independent of both superpowers at the same time," he said.

Russia aims for Europe detente

BY DAVID SATTIN IN MOSCOW

THE SOVIET UNION expressed confidence yesterday that the 1980 Olympic Games will go ahead despite the "tactics" of the U.S. Administration which it described as "arm twisting, gross pressure and demagoguery." But the commitment to pursue detente was reaffirmed.

This was the case despite international opposition to Russian involvement in Afghanistan. The Communist Party newspaper Pravda said yesterday. The paper indicated the Soviet Union would now work to save relations with Western Europe.

The Pravda commentary said that despite the anti-Soviet campaign being waged by the U.S., the Soviet Union would be seeking to strengthen everything positive in detente in the next few years, "particularly on the European continent."

The national sports newspaper, Sovetskii Sport, in its direct comment on the issue since the possibility of a major Olympic boycott emerged, said the efforts by "cold war

instigators" in the U.S. and Britain "to use sports as an instrument of their politics" were being rejected by world public opinion.

The Soviet Union has staked a great deal of prestige on the success of the Games, which they see as a symbol of international recognition and respect for the country's achievements. Sovetskii Sport said.

China could get wheat

BY TONY WALKER IN PEKING

THE U.S. may supply China with surplus grain, possibly at preferential rates, left over because of the cancellation of sales to the Soviet Union, according to an American Congressman.

Mr. John Myers, the Indiana Republican, said in Peking that if Congress approved the agreement drawn up by the Carter Administration which gives China most favoured

"attempts by imperialists to plant mines on the Olympic field" and being exposed by life itself" and denied speculation in the West that the Soviet Union might boycott the Winter Olympics in Lake Placid as a "slandorous fabrication." It said Soviet athletes were looking forward to the Winter Olympics and actively preparing for them.

At yesterday's rally Mr. Nkomo made conciliatory remarks to Rhodesians of all races the keynote of his speech. Demanding that his supporters co-operate with the police, Mr. Nkomo went on to declare that Rhodesia belonged to both black and white.

"This country belongs to us both. There will no longer be a master-boy relationship," he said. "I forbid you to do to the whites what they have been doing to us."

Mr. Nkomo urged any of his own Zippa guerrillas still out in the bush to hand themselves over to the police or the monitoring force immediately, so that they could be taken to the assembly places.

He appealed to Lord Soames, the British Governor, not to call on the Rhodesian armed forces and he again attacked the deployment of the auxiliaries, now part of the Rhodesian forces but recruited as a private army for Bishop Muzorewa, and largely unmonitored by the Commonwealth force.

Political rallies were held in many parts of Rhodesia yesterday, though none matched Mr. Nkomo's in size. In particular, the Rev. Sithole, leader of the "internal" ZANU only got some 15,000 supporters at the Zimbabwe grounds in Highfield where last Sunday Mr. Nkomo drew some 120,000 to 150,000. Sets are out already on how big a crowd will arrive to see Mr. Robert Mugabe, leader of Zanu (PF) who, his officials say, has now permission to return to Salisbury next Sunday.

Meanwhile the first of an estimated 250,000 refugees will begin to return to Rhodesia today as part of an international co-ordinated repatriation scheme.

The refugee operation is under the overall control of the UN High Commission for Refugees which has launched a \$22m appeal. The exercise is fraught with potential political problems as the nationalist parties want as many adult voters as possible to return before the elections and the Rhodesian authorities are insisting on a screening process to make sure that guerrillas do not return in the guise of refugees.

There are about 25,000 refugees in Botswana, 60,000 to 70,000 in Zambia, and 150,000 in Mozambique. Not all will arrive before the election. It is thought that four reception centres which will open initially may be able to cope with between 10,000 and 20,000 a week.

Nkomo urges joint force

By Mark Webster in Bulawayo

MR. JOSHUA NKOMO, leader of the Patriotic Front, yesterday urged the integration of his own forces with those of the Rhodesian security forces, in order to avert another war once the February elections were over.

He told a crowd estimated at well over 150,000 in his home town here, that the matter should be considered by the Ceasefire Commission and a decision reached "within two or three weeks." During an overseas peaceful meeting, four platoon policemen were attacked by the crowd and at one point the senior white policeman in charge threatened to halt the rally if what he called "incidents of mob violence" did not stop.

The four black policemen were all recognised by the crowd while they were on "close security," mingling with the people attending the rally. One of them was armed with a pistol.

This is the first violent incident of the election campaign, which officially opens this morning when the 10 parties contesting the February 27-29 poll are expected to name their candidates.

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WORLD TRADE NEWS

Leyland launches Landtrain truck

BY KENNETH GOODING

LEYLAND VEHICLES expects to earn around £52m a year from a new range of rugged, bonneted trucks designed for Middle East, African and Far East markets.

Until now the range has been code-named T43, but in future the models will be called Landtrain. Leyland claims it is the only range from any European manufacturer to be designed specifically for the markets at which it is aimed.

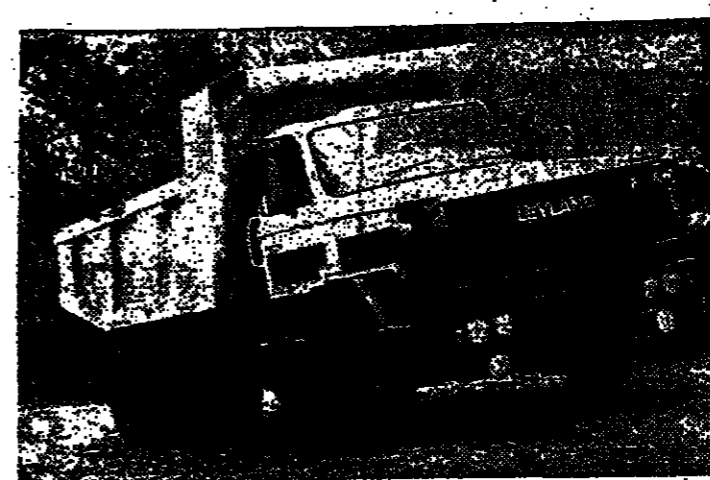
Built-up units will be exported to countries such as Egypt, Jordan, Kuwait, Saudi Arabia, with Nigeria, Sudan and Kenya using their own local facilities to assemble vehicles from kits.

The highest sales potential is expected to be in Nigeria—where Leyland opened a new truck plant last year—Saudi Arabia, Sudan and the Arab Gulf States.

The Landtrain is being built at the Guy plant at Wolverhampton. In the first year it is expected that around 1,000 will be assembled with production doubling during the second year. The facilities could support an output of 4,000 a year.

Plant and equipment costing more than £5m has been installed at Wolverhampton to handle production of Landtrain models.

The most significant spending



The Landtrain, Leyland's Third World hope

was on a new paint plant and a new welding line for cab assembly which cost about £500,000 each.

Leyland maintains that Landtrain offers "European standards of driver comfort and driver ease coupled with the essential features of high reliability and durability and ease of servicing and maintenance."

The range covers gross weights from 19 tonnes to 65 tonnes and the eight models include both two- and three-axle

derivatives for rigid vehicle (haulage and tipper) drawbar and articulated vehicle applications.

Leyland says Landtrain has been designed for unresisted operation in extreme conditions, for example, between minus 12 degrees centigrade and plus 46 degrees centigrade as well as in high humidity. The trucks are also designed to operate on tarmac and concrete roads as well as on grassland, forest, scrub and desert prepared tracks.

Agencies report from Tokyo: Nissan Motors has announced that its auto production in 1979 reached a record 2,344,000 units, up 4.1 per cent from the previous year's 2,254,000 units. The figures do not include trucks and buses (KD) production. The production of KD sets totalled 174,238 units in 1979, also a record. The KD production was up 18.7 per cent from 146,899 units the previous year.

Exports of completed vehicles totalled a record of 1.1m units, up 6 per cent from 1,076,000 units the year before. The previous record for Nissan's exports was 1,069,000 units set in 1977.

Domestic sales reached 1.2m units, up 2.3 per cent from 1,140,500 units the year before.

In overseas markets, car shipments were below the first half, before level in the first half, reflecting the yen's appreciation against the dollar, but they increased since June, supported by an increase of small car sales in the U.S. and Europe.

The production of completed passenger cars in the year totalled 1.7m units, up 7.3 per cent from the year before. Production of medium-sized trucks totalled 13,126 units, down 34.7 per cent, small-sized trucks, 569,315 units, down 2.9 per cent and small buses, up 0.4 per cent to 11,494 units.

China joint ventures imminent

BY TOM WALKER IN PEKING

MR. RONG YIREN, the general manager of the China International Trust and Investment Corporation (CITIC), said at the weekend he expects the first joint venture agreements involving Chinese and foreign partners to be announced by March.

Mr. Rong said China's Foreign Investment Commission has given preliminary approval to several ventures, and he expects details of the agreements to be made public within a few months once contracts have been finalised.

He said the first joint venture agreements would be in transportation and light industry. In an interview he said that CITIC had accepted a 10 per cent share in one of the joint ventures. The remaining 90 per cent would be divided equally between foreign and Chinese partners.

Another joint venture agreement will provide for 60 per cent foreign ownership and 40 per cent Chinese.

Mr. Rong, a former Shanghai industrialist, said that as far as

he knew these will be the first joint venture agreements to be announced since a new Foreign Investment Law was framed last July. American companies have shown the most interest in negotiating joint ventures, followed by the West Germans and the Japanese. There have been about 90 approaches from American corporations, he said.

Asked whether China's failure to fix a tax rate was hindering foreign investment, Mr. Rong said he expected a tax rate to be announced in the first part of this year, and after that even more overseas companies would come in.

However, he does not believe the delay in fixing the tax rate will frighten away foreign businesses. China's Foreign Investment Law does not preclude 100 per cent foreign investment in a single enterprise in China.

CITIC was established last October to promote joint ventures and, if necessary, to get involved in the importation of technology to assist China's modernisation drive.

The tax rate likely will be

one standard, but there may be exemptions and reductions. In the meantime Chinese officials were studying rates levied in other countries.

"Of course, we don't want to levy less tax than others, but we also don't want to levy a higher tax so foreigners will not come," he said.

● The Chinese Ocean Shipping Company has signed an agreement with Magnavox of the U.S. to act as its agent in China. Under the agreement, Magnavox depots will be established in Shanghai, Canton and Tianjin.

The company will provide the Chinese concern with computerised satellite navigating equipment and training for technicians.

● Wallace Knight has received its first order from China—for an ultra-violet curing system to be fitted to a new installation of a Crabtree Vickers "Marquess" three-colour metal decorating press. The London-based company said the order was worth almost £200,000. The shipment is scheduled for July, 1980.

Further synthetic fibres slide

BY CHARLES BATCHELOR IN AMSTERDAM

THE MAN-MADE fibre industry in Europe faces a downturn in business in 1980 and virtually no growth in the longer term. The chief concern of the industry is to bring upward pressure on prices of synthetic fibre raw materials under control.

The Dutch fibres group Enka said in its annual review. Demand generally will be depressed by mounting rates of inflation and higher energy prices eroding the growth in disposable incomes. Synthetic fibre sales will be held back by a downturn in the motor and construction sectors as well as the decline in textile sales.

The expected recession in the U.S. may further boost its exports of fibres and textile products, while traditional export markets for European producers may shift their customers to the U.S.

Enka forecasts that in the long-term imports of textiles and clothing into Western Europe will continue to increase. Quotas agreed under the current Multi-Fibre Arrangement (MFA) will bring about a further reduction in the market share of European manufacturers. The breathing space available until

the agreement expires in December, 1981, must be used to restructure the European textile industry, Enka urges.

In 1979 the textile industry continued the recovery which began in mid-1973 with a particularly marked improvement in Italy and Belgium. Textile production (evens) rose an estimated 4 per cent last year although man-made fibre production rose only 1 per cent. This slower rate of growth was largely due to market losses outside Western Europe.

Wool production levels were unchanged in Japan they rose 7 per cent in the U.S. despite the threatened domestic recession. Cost advantages and the weakness of the dollar allowed the U.S. to eliminate Western Europe from many export markets and to increasingly penetrate Western Europe itself.

Volume sales of synthetic fibre in Western Europe rose 2 per cent last year to around 137,000 tonnes.

Despite only modest gains in shipments and production, operating profits of European companies were "distinctly less negative" than in 1978. Significant voluntary capacity cuts

led to a marked improvement in capacity usage and almost eliminated losses from under-utilisation of capacity. Inventory profits resulting from sharply higher raw material prices also boosted company results although operating income was hit, since higher costs could not always be passed on in prices.

The EEC's deficit on its textile and apparel trade rose 52 per cent in the first half of 1979. Textile imports rose 15 per cent in the six-month period, while apparel imports rose 21 per cent. By contrast exports of both textiles and apparel rose only 2 per cent.

Worldwide production of man-made fibres rose 4 per cent, or 542,000 tonnes to 14.3m tonnes. The share of man-made fibres in world fibre consumption is now nearly 50 per cent.

● The EEC Commission has introduced quotas on imports into the UK of babies' under and outer garments from the Philippines, under garments from Hong Kong and jackets and blazers from India.

This is largely the result of representations by the UK Government.

SHIPPING REPORT

Quiet time for tanker market

BY LYNTON MCLAIN

HIGH STOCKS of oil in the West and the continued availability of more tanker tonnage than could be used last week to one of the quietest trading periods on the tanker chartering market for some time.

Nevertheless, in the Gulf, although the supply of vessels exceeded demand, some tanker owners succeeded in reversing an earlier downward movement in rates.

The result was a moderate recovery in rates to Worldscale 45 for the very large crude carriers chartered for discharge in the West, and Worldscale 624 for discharge in the East. However, very few small tankers gained business in the Gulf.

Rates fell further in the Mediterranean. Most rates for cross-Mediterranean charters varied from Worldscale 65 for a 180,000-ton cargo from the east Mediterranean for the west, to Worldscale 155 for 70,000 tons for shorter voyages.

Tanker tonnage in the Caribbean faced low rates as demand fell away.

On the grain markets, few inquiries were reported for new charters. The spot market for crude oil weakened further.

The volume of combined carrier tonnage operating in the oil trades at the end of December rose slightly compared with the activity at the end of November. John I. Jacobs and Company said 187 combined carrier vessels of a total of 19.3m deadweight tons traded in oil at the end of the year compared with 184 vessels, of 18.9m dwt, in November.

This represented 41 per cent of the total combined carrier fleet operating in oil trades compared with 39.9 per cent in November.

The effect of the U.S. ban on grain shipments to the USSR was not evident last week, but can be expected to become more evident in the coming weeks.

Forecast for the grain trades, perhaps by the end of the month or early February.

Elsewhere on the shipping markets, rates for raw materials' traffic started to recover, at least on the Atlantic, after recent falls. Owners of bulk carriers trading in the coal, metal ores and scrap markets are expected to report an early improvement in rates.

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World Economic Indicators

FOREIGN EXCHANGE RESERVES (Millions of U.S.\$)				
	Nov. 79	Oct. 79	Sept. 79	Nov. 78
U.K.	18,132	17,927	18,734	15,302
U.S.	4,122	2,903	2,301	3,704
Germany	42,943	42,284	44,985	40,947
Italy	17,494	17,750	17,844	18,254
Holland	6,335	4,443	6,693	2,940
Belgium	16,315	15,339	21,247	28,245
Japan	Oct. 79	14,408	14,570	7,629
France	15,253			

Source: International Monetary Fund

French to raise \$3bn State loan

BY TERRY DODSWORTH IN PARIS

FRENCH budgetary authorities have shown a marked change of tactics in their funding of the State deficit by deciding to raise FFR 15.5bn (\$3bn) in the first State loan of the year which will be issued this week.

This is much higher than any State loan introduced in recent years and falls far short of the total of FFR 15bn raised in three separate steps last year.

During the period of rapidly increasing State deficits of the past two years, the Treasury has

staggered its money-raising operations to help the market absorb demand for funds.

Originally, the authorities intended staying broadly in line with the last loan of 1979, this initial offer of the year. But the terms of the loan, first announced in late December, have attracted such interest that the Treasury has increased its target.

A problem the Government faces in 1980 is that it is likely to have to raise more money on the market than last year

because of the planned rise in the Budget deficit forecast at FFRs 31bn, but likely to reach FFRs 50bn.

This requirement, plus indications that the last loan of 1979 was not well received by the market, explains the Treasury's attempt to make the new issue especially attractive with a high 12 per cent rate of interest and a novel six-year term.

This rate is the highest ever offered on a Government bond in France.



President Sadat

the Moslem right have all attacked Israel. The daily "Al-Akhar" devoted a long article to comparing the Soviet Union and Israel, saying they were both expansionist, both had severe domestic crises and were both strongly anti-Moslem.

"Israel claims it is the ally and advance base for the U.S. in the Middle East, while in fact

this public upsurge of hostility toward Israel owes much to the turmoil in Afghanistan and Iran. Egypt has found itself important to act in a Pan-Arab or Pan-Islamic context due to the peace treaty with Israel and its failure to show other countries in the region that it is achieving anything on behalf of the Palestinians.

● Egypt has not frozen Arab funds held in Cairo but is merely seeking to defer repayment of them, according to Prime Minister Mustapha Khalil. There was no truth in announcements by the Finance Ministers of Saudi Arabia and Kuwait that Egypt had frozen both Arab funds and property assets, he said. On the contrary, Arab funds and investments were "secure" in Egypt.

The overall control of the UN High Commission for Refugees which has launched a \$22m appeal. The exercise is fraught with potential political problems as the nationalist parties want as many adult voters as possible to return before the elections and the Rhodesian authorities are insisting on a screening process to make sure that guerrillas do not return in the guise of refugees.

There are about 25,000 refugees in Botswana, 60,000 to 70,000 in Zambia, and 150,000 in Mozambique. Not all will arrive before the election. It is thought that four reception centres which will open initially may be able to cope with between 10,000 and 20,000 a week.

OBITUARY

William O. Douglas: rugged individualist

JUSTICE William O. Douglas, who died on Saturday at the age of 81, was not merely the longest serving Justice in the history of the U.S. Supreme Court: he was by any standards one of its most controversial members and even in the opinion of his many enemies, perhaps one of its most intellectually distinguished liberal contributors.

Mr. Douglas was appointed to the Supreme Court by President Roosevelt in 1939 and served until 1975, when ill health finally forced his resignation.

With another Roosevelt appointee, the late Justice Hugo Black, he formed the great liberal underpinning of the Supreme Court, which came to full fruition under the chief justiceship of Mr. Earl Warren, during whose tenure many social and civil rights reforms were codified in law.

Justice Douglas, a man of eclectic tastes, was a fundamen-

talist in one very particular sense: to him, freedom of the individual against the encroachment of government was more than just a desirable principle, it was the principal lesson to be drawn from the U.S. Constitution.

Today, this is a classic philosophy which conservatives claim as their own. But in the social and political climate in which he spent his great judicial years, he was more intent on breaking down the barriers to individual freedom than then existed and establishing that above all, freedom of the individual could only be secured by dismantling the legal and social obstructions that militated against equality of opportunity, education, justice and thought.

His advocacy and his own rugged individualism made many enemies. He was the object of more than one attempt at impeachment: former President Ford, when minority leader of the House, tried to

have him removed from the Supreme Court at one stage in part because he insisted on venting his views in unorthodox places—including, on occasion, "girlie" magazines.

The judicial distinction of his rulings were not simply the product of an acute legal mind at work: Justice Douglas was also a man who could write wonderfully—a talent that he put to full use in a series of books devoted to conservation of nature. He became, in effect, the spiritual guru of the American environmentalist movement and drew great personal strength from the isolated mountain top in Washington state that was, for many years, his home.

This, too, was anathema to influential segments of American society, the more traditional parts of which were equally horrified by his private life—including four marriages, the last of which, in 1968, to the former Cathleen Heffernan, then a third his age.

Yet, oddly enough, in his last years on the court, he seemed to have established a unique relationship with the current Chief Justice, Mr. Warren Burger. The two were poles apart ideologically, and Justice Douglas had been profoundly contemptuous of the Chief Justice's intellectual abilities. But, as ill health undermined Mr. Douglas's capacities to play a full role in the court's affairs—and as he stubbornly refused to resign—Mr. Burger displayed great personal kindness, indeed protection, towards his ailing foe.

By common consensus, the Burger court has not been marked by great intellectual distinction and many trace its most recent decline to the departure of Justice Douglas. He used to refer to the Supreme Court as "the keeper of the nation's conscience"—and the 20th century has thrown up few, if any, more assiduous guardians.

Split over public accounting practice

BY ROBIN PAULEY

THERE HAS been sharp reaction to the Institute of Chartered Accountants' (ICA) call last week for the revision of accounting practices in local authorities. The move is aimed at making their accounts more understandable to ratepayers.

Mr. Noel Hepworth, director of the Chartered Institute of Public Finance and Accountancy (CIPFA), said the notion that local authorities could be expected to make their accounts more understandable to ratepayers was unacceptable.

Local authorities are non-profit-making organisations and it is wholly inappropriate to suggest that the provisions of the Companies Act should apply to them, he said.

The divergence of views—opened up by the commercial and public accounting bodies' separate responses to a Department of Environment consulta-

tion document about the publication of financial information by local government—has come at exactly the time when attempts are being made to work towards standardisation of practices.

The Accounting Standards Committee is formulating Statements of Standard Accounting Practice to try to eliminate differences in practice.

The fundamental disagreement over the methods of preparing and presenting local authority accounts marks a split in what has hitherto appeared to be considerable agreement.

The ICA, seeing that the local authority accounts are too complicated for ratepayers to be able to find any useful information.

Aspects of the accounts which the ICA would like altered include the disclosure of past capital expenditure and the treatment of reserves.

Mr. Hepworth, who rejects the charge that accounts are too complicated, argues that Department of Environment guidelines covering local authority audits are wider and more stringent than those applicable to the audit of commercial undertakings.

The ICA wants the abstract of accounts divided into two parts: a clear and concise summary of the consolidated accounts of the authority together with comparative figures for the previous year; and detailed income and expenditure accounts for each service and relevant information relating to unit cost and manpower.

The possibility of providing information from a five-year period should be considered as true trends can seldom be disclosed from only the previous year's figures, it suggests.

The chartered accountants object strongly to the local authority practice of publishing unaudited accounts. This occurs because all local authorities have the same financial year, ending on March 31, and district auditors cannot do all the work in time.

The CIPFA agrees with one recommendation—that the abstract of accounts should be published within six months of the financial year end. At present there is no time limit. But it is understood that the Chief Inspector of Audits has also decided that a six-month limit should be introduced.

The ICA extended its response to consider capital expenditure and recommended that the total capital expenditure planned for the next year, analysed between projects in progress and new projects, should be published together with the method of financing. So should the total capital

commitment for future years. All that information should be sent to ratepayers with their rate demands. The ICA also says local authorities should publish information on explanations about variations between total budgeted and actual expenditure.

It says that the way working balances and reserves are presented can influence the interpretation of the accounts. The rate demand should clearly indicate to what extent the rates are affected by changes in the level of working balances and other reserves.

The accounting presentation should be simplified on similar lines to those of the 1967 Companies Act.

Mr. Hepworth said commercial attitudes to balances and reserves did not apply because the problem of reserves for local authorities was tied up with rate levy.

AN ATTEMPT to televise House of Commons proceedings seems doomed to failure, according to an opinion poll of more than 100 MPs.

The poll, commissioned by Left, Right and Centre, ATV's political programme in the Midlands, showed 44 per cent in favour of televising Commons and committee proceedings and 53 per cent against with 3 per cent expressing no opinion.

There is also the argument, though it does not seem to have impressed Ministers particularly strongly, that legalising citizens' band would create a new market for British electronic equipment.

Against the arguments in favour is the Government's broad aim of cutting public spending.

Many of the sets would presumably have to pay licence fees, and supporters of citizens' band say that it would therefore be self-financing. The Treasury is generally opposed to introducing new taxes of this kind.

Legalising the system would almost certainly require setting up an organisation to regulate it and employing more civil servants at a time when the Government is trying to shed them.

No major legislation would be needed to allow use of the sets, but the Government would have to decide which wavelength to allot to users as well as establish licensing and regulatory procedures.

In Australia, the Government was forced to legalise citizens' band radio because so many sets were being operated illegally on a frequency interfering with legitimate use.

As yet there seems no great public pressure for legalisation, which the Labour Government did nothing to encourage.

They believe that it would be in line with the Conservative Party's belief in freedom to open up the air to private citizens in this way.

Shortly before Christmas in an adjournment debate in the Commons Mr. Patrick Wall, Tory MP for Halespenn, held out the prospect of a market for 5m to 8m sets opening in this country if the system were given the go-ahead.

In the debate one speaker suggested ways in which the regulatory function could be taken out of Whitehall, and it may be that rather than take an immediate decision, Ministers will decide to publish a consultative document to test public interest.

In the U.S., where citizens' band was introduced in 1973, there are said to be more than 10m sets, mainly fitted in cars and lorries. Most have capacity to transmit no further than 10 or 15 miles. Citizens have developed a vocabulary of their own.

MPs' poll rejects televised Commons

Financial Times Reporter

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Citizens' radio may hit snags

BY ELINOR GOODMAN, LOBBY STAFF

"CITIZENS' BAND" radio may be prevented from getting off the ground by the Government's public spending curbs.

Ministers are expected to decide shortly whether to legalise use of the short-range two-way radio sets which became a cult in the U.S. in the 1970s and which have gradually come into Britain in the past few years, though their use is illegal.

Home Office Ministers are understood to be broadly in favour of legalising the system, which the Labour Government did nothing to encourage.

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They believe that it would be in line with the Conservative Party's belief in freedom to open up the air to private citizens in this way.

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Major Treasury reshuffle completed

By Peter Riddell, Economics Correspondent

THE MAJOR reshuffle of senior Treasury officials has been completed with the appointment of Mr. Andrew Britton to run the monetary analysis and forecasting unit.

He will take over the post from Mr. Peter Middleton, who has been promoted to Deputy Secretary responsible for fiscal and monetary policy.

Mr. Britton, 39, will become an Under Secretary. He will advise on overseas and home financial issues, and be responsible for producing domestic monetary and external capital account forecasts.

Under Mr. Middleton, this was built up into an influential post, closely involved in all the key pre-Budget decisions of setting the public sector borrowing and monetary targets.

Ladder
Mr. Britton has risen rapidly up the Treasury ladder after joining the department in his mid-20s, and has been involved in the overseas side, working on balance of payments matters. He has recently completed a year at the London Business School doing research, where he worked with Professor Terry Burns, now the Treasury's chief economic adviser.

This appointment completes the latest reshuffle, but further moves are likely later this year when Mr. Fred Jones, the Deputy Secretary responsible for industrial policy, retires.

Strike reduces demand for energy

BY MARTIN DICKSON

ELECTRICITY AND GAS industries have not yet suffered significant damage as a result of the steel strike, but a prolonged stoppage which spread to the private sector could alter the situation.

The Central Electricity Generating Board, which satisfied a record peak demand of 44,219 MW last Monday, estimates that its load has been reduced by up to 1,000 MW by the stoppage.

Electric arc furnaces are among the largest users of electricity in the steel industry. Although the British Steel Corporation has a large concentration of electric arc furnaces near Sheffield, most of this equipment is in the private

sector. An extension of the strike, coupled with a knock-on effect throughout industry, could therefore cause a sharp drop in demand for electricity.

This in turn would have financial implications for the Electricity Council, which is finding it hard to meet the cash limits and financial targets the Government has set for this year.

The strike is likely to have far less impact on British Gas, which in 1978 provided 595m therms to the ferrous metals sector, of which BSC would have been by far the largest customer.

At this time of year, gas supplies are stretched to the limit and British Gas has to cut off supplies temporarily to industrial customers on interruptible contracts. A reduction in supplies to BSC means that more gas is available for other customers, although British Gas may be losing some revenue because of differences in the tariffs levied on customers with secure supplies and those on interruptible contracts.

British Gas's main contract as a customer of BSC is for the supply of pipes for its fourth Scottish gas feeder pipeline, which will run 280 miles south from St. Fergus to Bishop Auckland. Construction work is due to begin in the spring. Since British Gas already has in stock over 50 per cent of the pipes it needs, the strike

presents no immediate problem. However, a prolonged stoppage and a slow resumption of normal production could eventually present difficulties.

Production in the coal industry could be affected more quickly if the strike persists. The NCB reckons it has supplies of steel mining equipment sufficient to last some five to seven weeks.

So far the strike has not affected the NCB's output of coking coal, which is being stockpiled in areas where it cannot be delivered to BSC plant. However, the strike seems certain to reduce further BSC's demand for NCB coking coal.

Report on technology 'neglects market'
BY ELAINE WILLIAMS

THE RECENT report by the Advisory Council for Applied Research and Development on the impact of technological change on the UK has overlooked several important issues, according to Mr. John Pearce, managing director of Inspec Viewdata, a subsidiary of the National Enterprise Board.

Mr. Pearce said that the report was "too product oriented" and pointed out that "product development without complementary market development can be a total waste of money, particularly in areas such as computer software where products are frequently market led."

The ACARD report also failed to take into account the fact that the UK which, in many product areas represents less than 5 per cent of the total market for an advanced technology product, is not an

adequate window on the world for development insights.

Mr. Pearce commented that because advanced nations believe they must compete aggressively for high technology, the rate of product innovation is very high. "This, combined with heavy product and market development costs, requires the rapid penetration of volume markets if the R & D pump is to be kept suitably primed."

Any government financing for product development should have few if any political strings attached. Companies participating must maximise the exploitation of worthwhile developments, Mr. Pearce said.

Last week, Inspec Viewdata obtained orders for its viewdata service from over 20 U.S. corporations. Viewdata is a computer information service originally developed by the Post Office.

Mr. Brian Bridge, general secretary of the National Union of Gold, Silver and Allied Trades, said in Sheffield that one local company had suspended its silver plating operations because of the wild fluctuations in the silver price over the past year.

The problems of the industry are reflected in the last quarterly figures from the Assay Office. The weight of British gold wares sent to the UK's four assay offices from October to December fell by 9.2 per cent on the previous quarter, and the number of articles by 11.8 per cent.

British silverware sent for assay fell by 36.3 per cent and the number of articles by 28.2 per cent in the pre-Christmas quarter, normally the peak period for assaying.

Mr. Michael Burton has been appointed plant director of TI NICHOLSONS SILENCERS, of Glasgow Dock, near Lancaster, manufacturers of car silencers and exhaust systems for TI Bainbridge Silencers.

Mr. R. G. (Ray) Fisher, general manager of EQUIPMENT PURCHASE AND PROGRESS SERVICES, has been appointed a director.

Mr. R. Blockley has been appointed group production director and Mr. B. M. Brear has been made Group sales director of EDGAR PICKERING (BLACKBURN).

Mr. Frank Stroud has been elected chief executive of KEE KLAMPS. Kee Klamps is a member of the Thomas Tilling Group.

Mr. G. Barber has been appointed managing director of MISS SELFLEDGE from February.

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BY ELAINE WILLIAMS

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CONTRACTS AND TENDERS

THE STATE OF PARANA STATE FINANCE DEPARTMENT

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA—COPEL
COMPANHIA AUXILIAR DE EMPRESAS ELÉTRICAS BRASILEIRAS—CAEBE
Invitation to Suppliers of Electric and Electronic Materials and Equipment
SECOND DISTRIBUTION PROJECT OF COPEL
LOAN No. 1721-8R

I—COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA—COPEL established in the State of Paraná, Brazil, has obtained a Loan from World Bank (IBRD), in various currencies equivalent to US\$ 109,000,000.00 (one hundred and nine million US dollars), and proposes to apply these Loan funds to the financing of a part of the expansion plan of its sub-transmission and distribution system comprising the period from 1980 to 1983.

II—COPEL will utilize the services of COMPANHIA AUXILIAR DE EMPRESAS ELÉTRICAS BRASILEIRAS—CAEBE, in the procurement of related materials and equipment.

III—During the next twelve (12) months COPEL will issue invitations for international bidding for the supply of equipment, materials and services which are grouped in the following BIDS:

BID No.	DESCRIPTION	APPROX. QUANTITY
1	Aluminum Conductors ACS	4,200 tons
2	Aluminum Conductors ACSR	3,100 tons
3	Insulated Aluminum Conductors	6,500 km
4	Insulated Copper Cable	70 km
5	Bare Copper Cables	110 tons
6	Galvanized Steel Cables	320 tons
7	Single-phase, Polyphase and Demand Meters	415,000 units
8	Power and Grounding Transformers at 230 kV, 138 kV, 69 kV	2,120 MVA
9	Distribution Transformers at 34.5 kV/220/127 V and at 13.8 kV/220/127 V	410 MVA
10	Protection Equipment:	
11	—Circuit Breakers	140 units
12	—Sectionalizer Switches	3,500 units
13	—Potential Transformers	210 units
14	—Current Transformers	910 units
15	—Discharge Counters	220 units
16	Control Equipment:	
17	—Relays, Voltage Regulators and Capacitors	3,200 units
18	—Lighting Arresters	33,000 units
19	—Fuses and Sectionalizer Switches	42,000 units
20	Transformers for Metering Sets and Instruments	30,200 units
21	Insulators	91,000 units
22	Equipment for Maintenance of Energized Lines	various
23	Oil Purifying Sets	2 sets
24	Equipment for metering, Physicochemical and Electrochemical Laboratories	various

IV—These invitations will be complemented by notifying the diplomatic representatives in Brazil, of the World Bank member countries and of Switzerland, at the time the corresponding bidding documents for each bidding are ready.

V—Meanwhile, the suppliers and manufacturers who wish to be included in the suppliers list to receive the invitations above mentioned, must express in which bid or group of bids they are interested to participate, by writing to the following addresses:

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA—COPEL

At: Superintendência de Suprimentos
BR-116, km 396 - Trevo do Acúba
Caixa Postal 318
80000 - CURITIBA - PARANA - BRASIL

or to:

COMPANHIA AUXILIAR DE EMPRESAS ELÉTRICAS BRASILEIRAS—CAEBE

At: Coordenador de Compras
Av. Rio Branco, 135 13º andar
Caixa Postal 883
22000 RIO DE JANEIRO - CEP 20000 - BRASIL

These letters will be received up to and including two months from the date of this advertisement, and all the letters will be included in the Bid mailing list.

Argentine Republic

Ministry of Economy

State Secretariat of Energy

Hidronor S.A.

Hidroeléctrica Norpatagónica Sociedad Anónima

Alicopa Complex

Alicurá Hydroelectric Project

Prequalification of contractors:

Contract No. 541—supply of electric auxiliary equipment

In connection with a subsequent call for tenders for design, manufacture, transport, erection, testing and commissioning of electric auxiliary equipment, Hidronor S.A. will receive and analyse the qualifications and references of those firms or consortia of firms that have adequate technical capacity and wish to take part in the call for tenders.

—isolated phase bus and switch-gears

—generator—main transformer blocks protective devices boards.

Contract No. 542—erection of electric auxiliary equipment

In connection with a subsequent call for tenders for the erection of electric auxiliary equipment, Hidronor S.A. will receive and analyse the qualifications and references of those firms or consortia of firms that have adequate technical and financial capacity and wish to take part in the call for tenders.

(1) erection and commissioning of the following electric auxiliary equipment.

- isolated phase bus and switch-gears
- distribution transformers
- main and secondary mv and lv switch boards, including mec-de switch boards
- batteries and battery chargers
- protective device boards
- supply, laying and connection of:
 - 13.2 kv power cables
 - lv and de power cables
 - control cables
 - grounding cables for connection of non-conductive parts of electric devices and other parts to general grounding system (including fittings)
 - telephonic system cables
 - supply of conduits cable-trays and others including accessories for the above-mentioned cables and for all the cables of the "supply and erection of automation and control systems" contract.

(3) supply, erection and commissioning of the lighting and outlet system, including emergency systems

(4) item item for the clock system

(5) item item for the call signalling system

(6) item item for the fire alarm system

(7) item item for the distributor board of cables at power house

(8) tests for commissioning and industrial operation

Terms of reference:

The procedure for submission of data and the characteristics of the supply are set in the corresponding prequalification document which may be obtained personally either from Hidronor, S.A., Av. Leandro N. Alem 1074, 5th Floor, 1101, Buenos Aires, Argentina, or at the main offices of Electrowatt Engineering Services Ltd., Bollerivestrasse 36, CH 8022, Zurich, Switzerland, and SWECO AB, 2, Lindegatan S-102 41, P.O. Box 5038, Stockholm S, Sweden, as from December 17, 1979. The envelopes containing the qualifications and references of the firms or consortia concerned shall be submitted to Hidronor S.A., Av. Leandro N. Alem 1074, 5th Floor, 1101, Buenos Aires, Argentina, before 4 p.m., February 28, 1980.

GOVERNMENT OF THE REPUBLIC OF SURINAME

MINISTRY OF DEVELOPMENT

Kabalebo Hydroelectric Project

INVITATION FOR PRE-QUALIFICATION OF TENDERERS

Applications are invited from suitably experienced civil works contractors to pre-qualify to tender for the construction of the first stage of the Kabalebo Hydroelectric Scheme.

Only contractors who have been pre-qualified will be invited to tender for the project.

The Kabalebo Hydroelectric Scheme is situated on the Kabalebo River in Western Suriname. The first stage consists of:

- Lot 1: Davis Falls Dam and Power Plant plus saddle dam near the main dam.
- Lot 2: Lucie River Diversion Works. These works are situated about 200 km to the south of Davis Falls Power Plant.

The tender is for the complete civil engineering works and the hydraulic steel works for the above lots.

The Davis Falls Dam has a maximum height of about 70 m. It consists of a concrete part incorporating spillway, intakes, 7 m diameter penstocks and powerhouse, and an earth and rockfill part.

The powerhouse is situated at the foot of the dam. At full development the powerhouse will have six units, 83 MW each—three units will be installed in the first stage of development. The saddle dam consists of low fill embankments and some low overflow weir in concrete.

The Lucie River Diversion is a system of dikes and canals over a length of about 23 km, and a large canal located about 15 km further north.

On the Lucie River there is a concrete spillway with four gates.

Approximate quantities involved are:

Concrete	300,000 cubic metres
Earthwork	10 million cubic metres
Embankment dam fill	6.5 million cubic metres
Hydraulic steel works	5,000 tons

Brochures giving details of conditions, procedure, and forms for pre-qualification, and scope of the work envisaged can be obtained on application from:

NORCONSULT A.S., P.O. Box 9, 1222 Noord, Norway. Tel: 0222 18000. Telex: 180000 NORCON N.

Only contractors who have undertaken at least one project of the value of US\$ 25 million and above during the past ten years in hydro-power or heavy civil engineering works as main contractors need apply.

Contractors may consider co-operation with local contractors.

All applications should be submitted to NORCONSULT A.S., P.O. Box 9, 1222 Noord, Norway, in sealed envelope marked: "Pre-qualification for Kabalebo Hydroelectric Project." The application should be received by March 15, 1980.

Contractors who have already expressed their interest should renew it in writing.

All applications should be made in the English language.

MINISTRY OF DEVELOPMENT

NIGERIAN PORTS AUTHORITY

TENDER FOR THE PURCHASE
OF M/V. "OLATEJU"

- Tenders are invited from interested individuals and organisations for the purchase of the vessel M/V. "Olateju".
- The following are the particulars of the vessel:—

(i) Motor vessel:	"Olateju"
(ii) Year built:	1965
(iii) Length:	100.89 metres
(iv) Breadth:	15.32 metres
(v) Depth:	7.80 metres
(vi) Draft:	6.351 metres
(vii) Gross Tonnage:	3,197
(viii) Net:	1,985
(ix) Deadweight:	5,157
(x) Grain Capacity:	6822M ³
(xi) Bale Capacity:	6816M ³
(xii) Engine:	Sulzer/IRI
(xiii) Horse Power:	2840
(xiv) Speed:	12 knots
(xv) Holds:	3 (three)
(xvi) Derricks:	2 x 15 Tons 6 x 10 Tons
(xvii) Classification:	Nippon Kaiji Kyokai

3. The above particulars are given in good faith, but no responsibility can be accepted by the Authority for their accuracy. Purchasers are warned to make their own enquiries, and if necessary carry out physical inspection of the vessel which is moored at Marina Buoy Lagos Port.

4. Tenders which should be submitted in a wax sealed envelope marked "Confidential Tender for the purchase of M/V. "Olateju" and addressed to:—

The Secretary,
Nigerian Ports Authority,
P.M.B. 12588,
26/28 Marina, Lagos.

should be deposited in the Tender Box on the 6th Floor of the Nigerian Ports Authority Headquarters Building, 26/28 Marina, Lagos or delivered to the Authority's London Representative at the following address:—

Nigerian Ports Authority,
Manfield House,
376/378 Strand,
London, W.C.2.

5. All tenders must be submitted not later than 15th February, 1980.

6. Prospective tenderers are warned that the vessel will be sold "As Is Where Is" and the Authority does not accept any liability for the condition of the said vessel.

7. The Nigerian Ports Authority, is not bound to accept the lowest or any tender.

8. Successful tenderer must be prepared to remove the vessel from its present location immediately on being advised of the acceptance of his/its tender and after payment of the tender sum, but definitely not later than thirty days thereafter.

J. E. KALU
Secretary to the Authority.

N.P.A. NOTICE NO. 3219

Dated 3rd January, 1980.

BRAZIL

COMPANHIA HIDRO ELÉTRICA
DO SAO FRANCISCO (CHESF)

ENERGY MANAGEMENT
SYSTEM

Centrais Elétricas Brasileiras S/A (Eletrobras) is applying for a loan from the World Bank, part of which is intended for financing the cost of an Energy Management System (EMS) for the supervision and control of the operation of CHESF's electric power system. This EMS will be located at CHESF's system operating centre in Recife.

About the end of February 1980, CHESF intends to issue official bid invitations and specifications covering the supply of all hardware, software system integration services and training necessary to provide a completely operational system including remote terminal units, computer peripherals, man machine interface teleprocessing interface, support software and applications software. The EMS system shall support remote consoles to be located at CHESF's five (5) regional operations centres as well as a computer-to-computer communication link with the Brazilian national supervision and co-ordination centre computer facilities.

The EMS system functions will include forecasting and scheduling study mode and real-time security assessment, system monitoring, supervisory control, automatic generation control, voltage scheduling, energy accounting and operations analysis, recording and reporting. The CHESF present installed capacity is about 3000 MW (90 per cent hydro-electric) and is expected to increase to about 9000 MW by 1986, the system will then have transmission at 500/230/138 KV.

Prospective bidders from member countries of the IBRD or Switzerland are invited to indicate in writing their desire to be included in a mailing list to receive, at the time of the issue of the bid documentation, an official invitation to participate in the bidding. Letters shall be addressed to:

Companhia Hidro Elétrica do São Francisco—CHESF
Diretoria de Suprimento
Departamento de Compras e Contratações
Divisão de Aquisições Especiais
Rua Dr. Elphago Jorge de Souza, 333
50.000 — Recife — PE
Brasil

The bid documentation will be available only at the above mentioned address at a cost of U.S.\$200.00.

UK NEWS—LABOUR

Plans to restructure post union rejected

By NICK GARNETT, LABOUR STAFF

A SPECIAL conference of the Union of Post Office Workers on changing its structure came to an abrupt end yesterday when delegates refused to implement the executive's plans.

Their decision was made in the face of a warning from Mr. Tom Jackson, general secretary, that unless decisions on internal reorganisation were taken now "the united fabric" of the union would be endangered.

The conference in Bourne-mouth, did, however, agree to delay a detailed report on the union's structure until the full implications of Government legislation to split the Post Office were clear.

This probably means that a report will not be put before another conference until 1982. Delegates, decided to change the union's name to the Union of Communication Workers from June, in recognition of the division of the Post Office. The executive had proposed the

name of the Amalgamated Union of Communication Workers.

The principal element of the executive's report had been a proposal to set up two autonomous sections for its members in Posts and Telecommunications, in order to protect the union's telecommunications membership.

The Government has decided to split the Post Office into two independent businesses.

One of the union's problems

is that some unofficial recruitment demarcation lines, particularly for telecommunication workers, are less secure than they once were.

Its executive believes that unless it sets up autonomous sections there would be a disaffection among its telecommunication membership.

But those who moved the conference resolution to delay alterations in the structure said the union should not be "stampeded" into changes.

Pickets 'like fair cops'

EIGHT steel pickets—six from Barnsley and two from Sheffield—have applied to join the police force.

Mr. Eric James, Assistant Chief Constable (Staff Services) of South Yorkshire police, in charge of operations during the strike, commented: "I take this as a compliment

to the way our officers have conducted themselves during the dispute. I have been a policeman for 30 years and have been involved in quite a few pickets and strikes, but this is the first time I can remember men wanting to join the force because of what they have seen on the picket line."

Pay threat to Blue Circle plant

By Our Belfast Correspondent

A SHADOW has been cast over the future of an Ulster cement works owned by Blue Circle Industries because of a pay dispute affecting the unloading of coal and raw materials.

A small section of the 200-strong labour force at the Larne works is refusing to accept new arrangements to speed up unloading.

Blue Circle has halted deliveries of both coal and clinker for grinding into cement. The plant, which supplies much of Northern Ireland's cement, was shut on Saturday and the company gave the workforce seven days in which to accept the new deal.

The General and Municipal Workers' Union convenor at the works accused the company of failing to stick to agreed negotiating procedures. There were no genuine fears of closure, he said.

Employment Bill attacked

By Our Labour Staff

THE GOVERNMENT should have the TUC two years in which to test its ability to control the activities of the trade union movement before legislating, a union leader said at the weekend.

Mr. Sid Weighell, general secretary of the National Union of Railwaymen, urged Ministers "even at this late stage" to withdraw the Employment Bill, which seeks major amendments to labour law.

Trade union resistance to the plans will be expressed at a special TUC conference tomorrow in London, to which delegates from all affiliates have been invited.

Mr. Weighell, speaking at Cambridge University, said Government policies could lead to "massive social unrest."

"We must compel the Government to change course or they will lead us to disaster."

Unions 'are scapegoats'

MR. RON HAYWARD, the Labour Party's general secretary, yesterday accused Mrs. Thatcher of being intent on "smashing the unions to smithereens."

The Prime Minister was pillorying 12m trade unionists and their families as the scapegoats for Britain's problems, he said. But for her to pretend that the unions held the whip-lash in Britain these days was "a distortion of the facts of which Dr. Goebbels would have been proud."

Speaking at a meeting of Labour Party officials in Brighton, he warned the Government that curbing union power may have short-term superficial popularity "but in the long run such attempts not only provoke strikes, they turn the majority of the working population against the Government and are electorally disastrous."

Meccano mass meeting today

THE 940 EMPLOYEES, mostly women, who have occupied the Meccano toy factory on the Edge Hill Industrial Estate, Liverpool, for seven weeks, have been called to a mass meeting at the plant this morning.

Union officials and shop stewards will explain joint talks in London on Friday with the parent company, Meccano Industries. It was agreed then to form a joint working party on the possibility of an outside interest, such as the Maharishi Mahesh Yogi's Age of Enlightenment Company, taking over the factory.

COMPANY NOTICES

BRASILIAN INVESTMENTS S.A.

Sociedade de Investimentos—
Sede: Rua 15, 1401

NOTICE OF EXTRAORDINARY
GENERAL MEETING OF
SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of Brazilian Investments S.A.—Sociedade de Investimentos—will be held at Avenida Rio Branco No. 150, 14th Floor, Rio de Janeiro, Brazil, on Friday, 22nd January, 1980, at 2 p.m. to consider and, if thought fit, pass the following resolutions:

- Resolution 1: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 2: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 3: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 4: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 5: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 6: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 7: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 8: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 9: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 10: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 11: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.
- Resolution 12: To include in Article 10 of the Articles of Incorporation of the Company the means of calculating the value of shares without the need for a valuation report, and therefore be as follows:
Article 10—The subscribed or purchased share will be calculated daily, it being understood that the value of the shares arriving at the value of the company's net assets will be used for the purpose of calculating the value of shares without the need for a valuation report.

THE CHASE MANHATTAN BANK N.A.,
London, as Secretary.

January, 1980.

NOTICE TO DEB HOLDERS

NOTICE IS HEREBY GIVEN that

the above Company will pay a final dividend of US\$ 0.30 per share on 31st January 1980.

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These days, car salesmen offer you the options list the way waiters offer you the à la Carte.

Leaving you to choose the fixtures and fittings according to your pocket.

A state of affairs which we find lamentable.

Hence, the appointments, generally found on the options lists of other cars, are already present in the Royale. For example, automatic transmission is standard. (You can have manual, if you prefer, at no additional cost.)

Nor is the car required to embrace a variety of humbler engines.

Only one is offered: a 2.8 litre 6-cylinder unit that accelerates the Royale to a top speed of 115 mph*.

Inside, the furnishings are such that even the most critical of travellers will find little to carp at.

The seats are covered in crushed velour with head

restraints at the rear as well as the front.

You can even adjust the driver's seat for height, as well as for reach and rake.

Additionally, the steering wheel can be tilted and the steering is powered.

Those interested in the smaller details will find

central locking for the doors, an electronic boot release, a sliding steel sunroof and radio/stereo cassette player.

While outside are double-skinned metallic paint, alloy wheels and a headlamp wash/wipe system.

In fact, the Royale's specification is so complete that the only option offered is air conditioning.

Your Vauxhall dealer will be glad to demonstrate these virtues to you.

And you'll find he hasn't the slightest inhibition about extolling the car's remarkable value.

SALON 2070 CC, COUPE 2000 CC. PRICES CORRECT AT TIME OF GOING TO PRESS. INCLUDE CAR TAX & VED DELIVERY & NUMBER PLATE EXTRA. *MANUFACTURER'S FIGURES.

Is it vulgar to talk about value in a luxury car?

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HANDLING

Lifting and shifting containers

A SELF-ERECTING container crane which it is claimed could be installed at any port in the world and is capable of servicing the largest container ships afloat has been designed by Sea Containers Atlantic.

The company says the 408-ton crane has lower wheel loadings than any machine of comparable size and capacity and because of this it can be installed on existing general cargo quays without the need for the costly major civil engineering work normally associated with gantry cranes. It is self-erecting, requiring only a minimum amount of equipment during assembly which takes about a month from delivery on site.

The self-erecting capability is based on a system of pin-jointing, which eliminates the need for welding during assembly and enables the crane to be transported in manageable parts. Erection gear is provided by Sea Containers as a containerised kit and the company's own engineers supervise the erection process.

With a span of 100 ft, between rails and a backreach of 35 ft,

the crane covers a large quayside area for stacking and loading land-based transport. This dual purpose role makes the SAMBA a fully integrated container handling machine, claims Sea Containers, thus dispensing with the need for back-up straddle carriers, fork-lift trucks and side loaders on the quayside.

Main crane movements are controlled from a high level driver's cab and three movements can be made simultaneously to give an average hourly handling rate of 33 boxes. To facilitate turn-round of vessels, control of crane movement along the quay can be effected from any of three separate telephone-linked stations.

Called the SAMBA, the crane will handle fully loaded 40 ft ISO containers at 115 ft out-reach, and load and discharge container ships carrying 12 rows of containers across their beam at a rate of 33 boxes an hour. It was built at Morris Cranes, Loughborough, and is now available for leasing.

● INSTRUMENTS

Aids calibration

TO PROVIDE the degree of stability necessary for the accurate calibration of instruments used in atmospheric pollution monitoring and control, BOC Special Gases, Morden, Surrey, has formulated new, stable, reactive gas mixtures under the Spectra-Seal trademark.

Lack of stability in low concentrations of gas mixtures containing carbon monoxide, nitric oxide, nitrogen dioxide or hydrogen sulphide has always been a problem. Any variation in the concentration of a single component can render a control or analysis process which is repeated over an extended period, completely invalid. It is this problem that the Spectra-Seal range of stable reactive gas mixtures overcomes.

Using technology developed over the last four years to meet U.S. National Bureau of Standards' requirements, the formulators of the range have

included water vapour, sulphur dioxide, nitric oxide, nitrogen dioxide and hydrogen sulphide. The main appeal of the Spectra-Seal approach is that it provides scientists with long-term stability at concentrations down to fractions of one part per million.

Treatment of the internal walls of the aluminium cylinders used to produce a non-reactive surface, is the key to the Spectra-Seal system. It has made possible the production of low concentration reactive gas mixtures.

This latest addition to the BOC Special Gases range complements its existing products which include high specification gases, helium, gaseous chemicals, gas control systems, instrumentation, stable isotopes and consultancy services.

BOC, Great West House, POB 39, Great West Road, Brentford, Middx. TW8 9DQ. 01-860 5166.

● AGRICULTURE

Long-term storage of seeds

A "BANK" for vegetable seeds is to be established at the National Vegetable Research Station, Wellesbourne, Warwick, whose aim is to store on a long-term basis a seed collection of genetic material from different parts of the world.

Because such basic breeding stocks are essential to the food supply of the UK and other countries in the coming years, the venture has been initiated by OXFAM which has guaranteed the essential capital and running costs for the first seven years by setting up a special appeal.

Building work has started and the project will eventually provide for the long-term storage of seed of at least 12,000 different vegetable varieties in a cold room run at -20 degrees C.

Although there are ancillary features—one heated glasshouse and two cold—for the regeneration of seed of temperate vegetable crops, seed of tropical vegetables will only be stored at Wellesbourne.

Further information from Dr. G. F. Forster, National Vegetable Research Station, Wellesbourne, Warwick CV 35 9EF (0789 840382).

Making hay while the sun shines

A METHOD of drying hay and other crops, by means of a hot-air solar system, has been developed in Israel.

Over a dozen farm settlements are using a massive solar collector roof system consisting of double-layered thin-walled polycarbonate sheets stretched five inches above some 1,300 square metres of heat-absorbing black panels. The air trapped inside reaches temperatures of 30-40 degrees F above that of the outside air and it is then circulated by blowers which can move 100,000 cubic feet per minute.

Applications for the system is seen in drying peppers and spices, for instance, on a vast industrial scale at a cost far below that of conventional systems using fossil fuels. It was designed by Heliocet Advanced Technical Engineers and the sheeting is produced by the Q Company of 62, Hamasser St., Tel Aviv, Israel.

● SOFTWARE

Provides data about data

ALTHOUGH ICL first developed its Data Dictionary System (DDS) in 1977 and has proceeded in a low key, it nevertheless now has 70 users who, in the form of the ICL Data Management User Group, are soon to publish their experiences mainly, it is understood, on the basis of their great enthusiasm for the product.

DDS stems from the problem of how to manage change in a data processing system, ranging from a correction of programming to the addition of applications and even the complete replacement of the computer by another type. A typical example is when an attempt is made to integrate an existing system, with stock control—the two groups of people involved may not even be calling the data components of the system by the same name and may, in any case, want to look at the same piece of data from a different standpoint.

It all costs money in terms of software staff; ICL quotes figures which indicate that by 1990, the hardware costs of a data processing department will be a mere 10 per cent of the total.

In essence, DDS is a computerised information system for the data processing department in which the idea is to produce what might be called a commonality of data description. A conclusion arrived at by ICL is that the information needs of the DP department are certainly no less than those of departments for which systems are being provided—accounting, production control and so on.

Everything about the system and the business for which it is built is entered under the five conceptual headings: entity (something which has a value of its own); relationship (some kind of connection between two entities); operation (something which alters the value of the above); and event, something which can trigger one or more operations.

Not only does this result in data in an organisation being referred to in a universal way, it also, by means of the DDS software, allows interrelations to be identified. At the same

time, standard documentation results—one set that everyone in a DP department uses.

Thus, the totality of the procedures, processes, facts and other information involved, whether DP or business oriented, can be detailed. The organisation can then create, maintain and analyse a pool of data about the contents of the data processing system and the business system it models. Having assembled this database, the analyst/programmer can then interrogate/change it at will from a terminal, revealing the problems.

Data Dictionary System is available from BOC Datasolve as part of its ICL 2900 VME/B service. This bureau considers it to be of particular value when conversion is being undertaken from one computer type to another and points out that any manufacturer's machines can be tackled.

ICL is at Putney, London SW15 1SW (01-783 7272) and BOC Datasolve at 90 Staines Road West, Sunbury on Thames, Middlesex (Sunbury 35566).

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● IN THE OFFICE

Word processing and business package

AFTER entering the word processing market in 1978 with its model 80, a VDU/typewriter machine, Monotype Communications has decided to make a somewhat less systems-oriented offering with the model 150, at rather lower effective prices.

The model 80 was a user-programmable, essentially multi-terminal system with ability to communicate with mainframe computers, accept OCR input, provide telex tape output and so on.

By contrast the 150 is essentially a stand alone machine with software built in and can be supplied with two VDUs or

one (the model 75); it has five-inch floppy discs installed adjacent to the screen instead of "drawer"-type eight-inch units, and uses a Diablo printer able to work at 40 characters/sec. With two screens the price is just under £12,000, or £7,500 with one.

Idea of the two-screen arrangement is to be able to use two operators to work a word processing and a business data processing terminal at the same time, with, it is said, no mutual interference.

Terminal hardware originates in the U.S. and makes use of

the faster Intel 8085 micro. With 64K of memory per terminal, the 150 will easily expand to meet additional requirements. In each terminal, two double-density, double-sided discs store 200 pages of text, the equivalent of about 572,000 characters.

Field-proven word processing software and a range of business packages are provided, including stock control, costing, personnel records, payroll, invoicing and several others.

More from the company at 14 Cockspur Street, London W1V 5BL (01-930 1323).

... and PET will also process words

OVER 15,000 PET computers have been sold in the UK since the launch of this microcomputer in 1978.

Selling is now at a rate of 1,000 units per month in Britain and many independent software suppliers have developed and marketed Commodore-endorsed PET software.

One of the newest software packages made available covers word processing. Specifically designed for use with the 16K and 32K "big keyboard" versions of PET, WordPro II is unusual for as well as floppy disc-based software, the package also includes the necessary ROM

hardware to accommodate the program functions.

This package can be installed on the PET with a minimum of fuss, in conjunction with Commodore's 2040 dual drive floppy disc unit it gives the user a capability to process more than 300 pages of text.

Combined with a compatible printer, the equipment becomes a powerful computer-word processor system for under £2,500.

For applications requiring a high quality print-out the system would include a daisy wheel printer instead of a matrix printer, but as such, would still cost less than £3,000.

In operation, WordPro II follows conventional word-processor practice. The text is entered, using the typewriter-sized keyboard, the screen acting as a "window" to display a working text area of 24 lines. As the text is processed, it can be moved either up or down the screen thereby bringing fresh text into the window. A "status line" at the top of the screen ensures that the operator is always fully aware of the cursor position as line editing is carried out.

Commodore Business Machines, 360, Euston Road, London, NW1. Tel: 01-388 5702.

● CONSTRUCTION

Supply of design systems

APPLIED RESEARCH of Cambridge has won a contract with the Kuwait Prefabricated Building Company for the supply of computer-based building design systems to help the Kuwaiti develop large building programmes in Kuwait.

The contract is to develop and provide an extended version of ARC's Building Design Systems BDS, and is valued at £87,000.

Kuwait Prefabricated Building Company, partly owned by the Kuwait Government, specialises in pre-cast concrete building structures for housing, schools and large social complexes. BDS is now up and running on the Kuwaiti company's DEC PDP11/70 computer installed in its central offices. Major extensions include the enhancement of the BDS software.

Locates deep-down pipes

ABLE TO detect pipes that are buried to a depth of 18 feet, the J579 deep tracing oscillator from Sharetree of Stroud can be used in pipes in conjunction with a commercial rodding system to allow sharply curved routes to be traced from ground level.

This 2 inch diameter capsule emits a 91.5 KHz signal and is able to negotiate features such as trap gullies, its emission can be confused with that from mains cables.

Progress of the device can be followed on the surface with any suitable receiver such as

Norgren
B38 Instrument
Filter-Regulators
specially designed
for the Process
and Petrochemical
Industries.

INSTRUMENTS LTD
100, Victoria Road, Stroud, Glos. GL6 4AA
(04536 2006)

were to cope with local building regulations, measurements and currency structures.

This is an integrated computer system covering all aspects of building design, taking over routine procedures such as drawing, scheduling and costing. It is suitable for a wide range of applications, especially those which utilise a large amount of standard components in their design. For example, office blocks, multi-industrial building schemes, educational establishments and hospitals.

Applied Research on 0223 65015.

● MATERIALS

Makes a better filter

FILTRATION IS one of the major processes in modern technology and, probably, one of the areas in which much progress remains to be made.

National Research Development Corporation, recognising this as one of the problem areas, has invested about £100,000 in a joint venture project with Charcoal Cloth, of Wimbome, Dorset, aimed at developing and making a charcoal cloth which combines filtration characteristics much superior to comparable materials, with a resistant base.

By definition, charcoal cloth is made of 100 per cent activated charcoal fibre in the form of a woven cloth. It has an adsorptive capacity many times greater than that of filaments to which charcoal granules have been attached by one means or another.

Many disciplines are involved in the development of such material which started at the Porton Down biological warfare establishment.

The process is now integrated and continuous, starting with a woven cloth made from cellulose fibres and ending with a charcoal cloth of high flexibility and having good tensile strength. Pre-treatment gives good process yield and the final product has an enormous internal surface/area ratio.

In many applications, to achieve a given degree of protection requires between five and ten times less charcoal cloth than the commonly employed nut shell charcoal.

NRDC, Kingsgate House, 66, Victoria Street, London SW1E 6SL. 01-823 3400.

Building and Civil Engineering

Trollope & Colls wins £8.4m

CONSTRUCTION OF a new head office in Colchester for the Royal London Mutual Insurance Society has been awarded to Trollope & Colls which says the £8.4m contract covers work for the building of the superstructure and finishing (sub-structure and neighbouring multi-storey car park already having been completed under a separate contract).

The new building will be on the Middleborough island site which is near to the ring road system currently under construction. Offices will be linked with the multi-storey car park by an enclosed footbridge over Middleborough.

Designed by architect Cruickshank and Seward on a site immediately outside the Roman wall of "old" Colchester, the building will harmonise with the surrounding architecture, using rustic bricks, hand-made roofing tiles and traditional leadwork as the external finishing materials.

It will be arranged around the courtyards, and tiled roofs are to be at varying levels up to a height of five floors with octagonal stairwells at intervals around the plan.

Office space of 14,000 square feet will be provided, plus three passenger lifts and a goods lift. Finally, the setting of the

building will be enhanced, says the company, by attractive landscaping both around the perimeter and within the courtyards. Consulting engineers are Mott, Hay and Anderson.

£2.4m road award

A CONTRACT worth £2.4m has been awarded to Roadworks (1952) for the construction of Beccles Bypass on the Norfolk/Suffolk border.

The company is the civil engineering arm of the Jackson Group.

£7m task in Abu Dhabi

CONTRACTING AND TRADING CO. of Lebanon has been awarded a contract for additional work worth just over £7.2m at the Field Engineers Regiment camp at the Sheikh Zayed cantonment in Sweihan, Abu Dhabi. The contract is for the UAE Armed Forces, and the consultants for the project are the H.Q. Engineering Corps. Work starts in February.

Contracting and Trading Co. of the Lebanon is the parent company of Mothercat, a British registered construction company.

To build more homes

BULK of the work under £5.8m worth of new awards to Sir Alfred McAlpine and Sons (Northern) is a £4.8m task to build 320 homes in the Birchwood District of Warrington New Town.

For ICI (Mond.) at Northwich, Cheshire, a 976 square metre prefabricated laboratory is to be set up at a cost of £684,000. Not far away, at Kirby, near Liverpool, Kodak is to have an extension to its solution-making facilities to cost around £325,000.

£1½m worth to Tilbury

THREE contracts awarded to Tilbury Construction are together worth over £1½m. Largest is worth £865,500 and is for an all weather athletics track at the Pitville Stadium for Cheltenham Borough Council. The contract also calls for the formation of surrounding embankments and the provision of rugby pitches and a car park.

Final surfacing of the track will be carried out by En-Tout-Cas under a separate order.

Sheffield Insulations has placed a £540,000 order for a warehouse and office development in West Bromwich and Percy Bilton has awarded Tilbury a £377,000 contract for a bridge, road extension and river works at the former's industrial development in Uxbridge, Middlesex.

£4½m awards to Warings

FOUR CONTRACTS, totalling about £4½m, are being undertaken by Warings (Contractors) of Portsmouth.

Work has started on the largest, worth £1.8m. This is for a supermarket shell, block of nine shops, a petrol station, public house and squash courts at Canford Heath, near Poole, Dorset. Car parking, service roads and yards are included in the contract which is being undertaken for International Stores and Bass Wales and West. Architects are James A. Roberts.

£2.97m won by Lovell

LEAD CONTRACT in just under £3m worth of new business to Lovell group companies is the £1.3m award to Y. J. Lovell (Southern) for an office and shop block on the site of a former NCP car park in Kingston on Thames, near London.

Architect is Fitzroy Robinson and Partners and quantity surveyor Gardiner and Theobald.

The same associate company is to build £919,900 worth of electrical plant for IBM at the latter's Hursley research centre near Winchester in southern England.

Gas plant and store

EXTENSION work at the British Gas Corporation's St. Fergus North Sea gas terminal near Peterhead in Scotland will bring in £1.8m for John Laing Construction.

The laying of 12,000 feet of new pipework is involved together with connections to installations on an adjacent site, extensions to existing pipework etc.

Down south in Bristol work has begun on refurbishing part of the Littlewoods store at The Horsefair under an award

The next largest award is from Heston Developments and, worth £1.35m, is for 89,000 sq ft of warehousing and offices at Guildford, Surrey. Architects are D. S. Tucker and Partners.

At the beginning of March work is to be started on £700,000 contract from New England (Basingstoke) for eight factory units at Basingstoke, Hants. In the meantime work has begun on a new pottery and warehouses at Denmead near Waterlooville, Hants, for Denmead Potteries. This is costing £408,000.

On the civil engineering side, the company is to rebuild some 35 filtration units under a £7.6m scheme to modernise a section of the sewage treatment plant for the Bradford area. The Laing share in this work is put at £4m. Apart from the filters, the company will provide one kilometre of 1400mm pre-stressed concrete main.

For its part, Lovell Housing has won another contract at the Dale army camp, Cheshire, where it already is involved in a £2.2m operation for the Property Services Agency. The new contract covers the provision of £328,902 worth of NAAFI buildings, with clinic, exchange stores and community building.

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New offices in London

EIGHT storeys of office premises are to be built by Costain for St. Martin's Property Investments under a £4.4m contract.

This block is to be set up on piled foundations and will have aluminium and granite cladding. The site is in Hammer-smith.

Work has started and is due for completion in mid-1981. The architect for this project is R. Seifert and Partners and the structural engineer is Pell Frischmann and Partners.

Work in Cornwall

THROUGH its division based in Redruth, Cornwall, Ista Construction has won £2½m worth of new projects, including effluent and water treatment plant and new factories.

At the St. Austell and Weir-don centres, work will take 90 and 78 weeks respectively to complete.

An extension to the Fred Rees (Helston) factory will represent the 18th factory unit for the DoI's English Industrial Estates Corporation.

Bridges and barriers

MORE THAN £1m worth of work is to be carried out by Southern Counties Construction for railway bridges, motorway fencing and crash barriers in the London area.

Fences and crash barriers on the M25 and A13 in Essex will add up to about £500,000. John Laing and Wimpac have also placed a further £350,000 worth of fencing and barrier work.

Cladding for Iraq

WORTH over £1m and won in the face of fierce Continental competition, a contract to the cladding of a consent of the Rolled Products Division of The British Aluminium Company is for Iraq.

Negotiated with Nationale Staal En Aluminiumindustrie BV of Rheden, Holland, it is for the supply of aluminium cladding and all accessories for warehouses at Baghdad, Basrah and Mosul.

The contract continues throughout 1980 and involves over 700 tonnes of Rigidal sheeting. The warehouses will be erected from April 1980.

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Wates to refurbish offices

INTENDED mainly to provide major refurbishment to offices in London, a series of three new awards to Wates Special Works add up to just under £1½m.

Largest is conversion of offices for Japan's Sumitomo Group in London's Cheapside to cost around £800,000.

In the Minorities, also in London, £200,000 is to be spent on improvements to offices for Osborne and Sons (London).

For the Camberwell Grange Estate, the replacement of 240 windows will cost £152,000.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Paul Betts reports on the shifting fortunes of the troubled Italian tyre and cables giant; he discovers top level management moves, a massive injection of new finance, and further changes in its relationship with Dunlop

A restructured Pirelli tries to bounce back

BY THE end of this month, Pirelli, the Italian partner in the Dunlop-Pirelli union which was formed nearly a decade ago, will have completely moved out of its 30-storey, lozenge-shaped skyscraper dominating the city of Milan, to more modest headquarters near the central park.

In many respects, it marks the end of an era. The skyscraper, built just over 20 years ago, was one of the most eloquent symbols of the Italian economic miracle of the 50s and 60s—or as Italians prefer to call it: "The years of the boom." For Pirelli, the country's second largest private enterprise after the giant Fiat car manufacturing conglomerate in neighbouring Turin, the skyscraper represented a status symbol of its industrial and financial power and influence.

But the change in the economic fortunes of the Italian tyre and cables group—as indeed in those of the country at large—has now led to the sale of the famous building, for some £43bn (£23.4m), to the Lombardy Regional Authority. The purpose was to raise badly needed funds to ease the financial problems of Pirelli's Italian operations.

Significantly too, the move into new offices coincides with sweeping changes in the top management structure of the Italian group, combined with a major financial and industrial recovery programme. This will inevitably have implications on the Dunlop-Pirelli union as a whole.

Begins to crystallise

The most striking change, on the surface at least, is the decision of Leopoldo Pirelli, whose family has controlled the Italian group since its origins in the 19th century, to give up the day-to-day management of Industrie Pirelli. This is the main Italian manufacturing company in the union, employing 30,000 people in Italy and with a turnover last year of about £1,000bn (£545.3m).

Mr. Pirelli has been replaced as chairman of Industrie Pirelli by Filiberto Pittini, who has been with the group since 1945. From his office on the top floor of the skyscraper he



The 30-storey tower block (above) which Pirelli has been forced to sell. Leopoldo Pirelli (right) is to take charge of Pirelli's overall strategy as deputy chairman of Societe Internationale Pirelli. The new chairman of Industrie Pirelli is Filiberto Pittini (far right).

will shortly leave, Mr. Pittini says that the new top management structure is largely aimed at giving Mr. Pirelli the time to take fuller charge of Pirelli's overall strategy, both in Italy and abroad.

Pirelli's worldwide interests are controlled by two separate parents: the Italian holding company Pirelli Spa, which oversees Pirelli's main Italian and European interests, and the Basle-based Societe Internationale Pirelli (SIP) which controls the group's overseas interests.

To formalise and rationalise his position, Mr. Pirelli has now added the deputy chairmanship of SIP to his chairmanship of the Italian holding. He will also sit on a newly constituted executive committee which will look after the overall affairs of the group. Its other two members are Mr. Pittini and Emanuele Dubini, the deputy chairman of Pirelli Spa.

In Italy, the management changes reflect a particularly fundamental re-organisation of the group's industrial structure. According to Mr. Pittini, Pirelli has been promoting this process for some years, and it is now



beginning to crystallise. It is aimed largely at splitting up and decentralising the group's different manufacturing divisions into separate autonomous units, giving Pirelli a more rational composition.

It follows, in a sense, the model of Fiat's recently completed industrial re-organisation, which has seen the setting up of 11 separate manufacturing companies specialising in their respective fields under the umbrella of one holding. In the case of Pirelli, which operates in three main divisions, including tyres, cables and diversified products, a major step in this direction has just been taken by the decision to move out Industrie Pirelli's tyre operations into a separate company.

These represent the Italian group's single biggest headache. The tyre losses have been largely responsible for Industrie Pirelli's series of losses over the past seven years. In 1978, the tyre division showed a loss of £30bn, and is expected to show a further, if somewhat reduced, deficit for last year.

The losses are the result of a combination of external and internal factors. These include the oversupply in the world tyre industry, dramatic increases in raw material prices at a time of reduced profit margins, and inadequate productivity levels in Italy. Productivity, Mr. Pittini says, remained unsatisfactory despite Pirelli's arduous attempts over the past five years to reach agreement with the



Hugh Routledge

Italian trade unions to reduce absenteeism, lessen labour friction, and generally boost output per man.

Moreover, Pirelli has also had to find the necessary financial resources to activate, since the middle of the 1970s, a series of revised recovery plans for its Italian operations, coupled with ambitious investment programmes abroad. All this has led to the accumulation of huge debts with crippling annual interest charges.

The decision to separate the tyre division is an attempt to work out a solution to the specific problems of the troubled sector in order to bring it back into profit within the next two or three years. To this end, Pirelli is currently putting to

gether a major financial recovery package involving a two stage funding operation, which will increase Industrie Pirelli's share capital by £65bn to £173bn.

The Italian parent, Pirelli Spa, will contribute by drawing from its reserves Lire 25bn, while a consortium of Italian banks, led by the Milan Mediocredito special credit institute, subscribes £40bn in exchange for a 23 per cent stake in Industrie Pirelli.

After five years, however, Pirelli Spa, the parent, will buy back this 23 per cent stake, paying the banks accumulated interest at a fixed annual rate of 7.5 per cent on top of the nominal £40bn. Eighteen Italian banks will further convert some

£100bn of Pirelli short-term debt into the medium term to reduce the company's heavy debt interest burden.

Behind Pirelli's latest financial recovery programme is the figure of Sig. Enrico Cuccia, the chief executive of Mediobanca, who has been a protagonist in the recent series of operations which have seen the Italian banking system coming to the rescue of troubled enterprises. It was also Mr. Cuccia who played a key role in the negotiations which led to the Dunlop-Pirelli union in 1971.

Pirelli's decision to buy back the 23 per cent stake of the banking consortium, Mr. Pittini explained, was largely designed to protect the Italian group's long-term interests by preventing the eventual sale by the banks of large blocks of their shareholding interests in Industrie Pirelli. It also reflected, Mr. Pittini claimed, Pirelli's commitment in its traditional tyre operations, thus mollifying fears of any eventual strategic retreat by the Italian group from this business.

This commitment to tyres appears to be backed up by the agreement with Dunlop that the Italian group should regain complete management and majority financial control this month over its UK tyre manufacturing subsidiary, Pirelli Limited. Since the 1971 union, it had been under the partial control of Dunlop which took a 51 per cent stake in it. Dunlop's stake in the UK company has now dropped to around 40 per cent following a £4m capital increase, of which Pirelli subscribed £3m and Dunlop £1m.

In Italy, Industrie Pirelli's new capital reconstruction will also see Dunlop's share in the Italian manufacturing company further reduced. At the start of the union, Dunlop's stake totalled 40 per cent. It was subsequently cut back to 30.4 per cent following Dunlop's decision in 1975 not to subscribe to an Industrie Pirelli capital increase operation. It now drops to 19 per cent.

What seems to emerge from this intricate tangle of changing shareholding interests is the differing strategies Pirelli and Dunlop appear to be adopting towards their respective industrial and financial problems.

While continuing to expand its cable manufacturing activities, particularly a very happy marriage, Pirelli appears intent on pumping considerable resources into the recovery and rationalisation of its tyre division. This is ultimately designed to strengthen the tyre division by improving productivity of existing plants rather than investing in new ones. In Dunlop's case, the recovery of tyre operations also has top priority, but it has a broader range of other businesses on which to concentrate for the future.

Unhappy marriage

As for the tyre union, it was never a very happy marriage. With the exception of collaboration in research and development, the original concept never envisaged a particularly close integration of commercial and production functions between the two partners. It was to a large degree a financial arrangement, a marriage which soon after it was consummated came under strain as Industrie Pirelli's financial problems deteriorated.

As Leopoldo Pirelli once remarked, referring to Industrie Pirelli's problems soon after the agreement with Dunlop in 1971: "The bride had to be taken to her bed with a fever on the first day of the honeymoon." But if the bride is still struggling to get back on her feet, the groom is now also ill.

In a sense, Pirelli's and Dunlop's problems in the troubled tyre sector could eventually lead to a general reappraisal of the logic of the union. Indeed, there appears to be broad consensus on the need for rationalisation in the European tyre industry as a whole.

In a recent Italian newspaper interview, Mr. Pirelli said that the problems facing all tyre manufacturers in Europe made rationalisation all the more vital. "Only in this way can we hope to see the recovery of Dunlop's and Pirelli's tyre divisions in a market where overcapacity has unleashed a price war which has already had its victims."

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 23RD JANUARY 1980 AT THE BANK OF ENGLAND, NEW ISSUES (7), WATLING STREET, LONDON, EC4M 9AA OR NOT LATER THAN 3.30 P.M. ON TUESDAY, 22ND JANUARY 1980 AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "TREASURY TENDER".

ISSUED BY TENDER OF £1,000,000,000

12½ per cent. TREASURY STOCK, 2003-2005

MINIMUM TENDER PRICE £91.50 PER CENT.

PAYABLE AS FOLLOWS

Deposit with tender £25.00 per cent.
On Friday, 15th February 1980 £45.00 per cent.
On Friday, 15th March 1980 Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 21st MAY AND 21st NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. If not previously redeemed, the Stock will be repaid at par on 21st November 2005, but Her Majesty's Treasury reserves the right to redeem the Stock, in whole or in part, by drawing on the Consolidated Fund at any time after 21st November 2003 on giving not less than three months' notice in the London Gazette.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable by multiple of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 21st May and 21st November. Income tax will be deducted from payments of more than £5 per annum. Interest will be transmitted by post. The first payment will be made on 21st May 1980 at the rate of £2.776 per £100 of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Wednesday, 23rd January 1980 at the Bank of England, New Issues (7), Watling Street, London, EC4M 9AA or not later than 3.30 p.m. on Tuesday, 22nd January 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £91.50 per cent. Tenders at or above the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £25.00 per cent of the nominal amount tendered for must accompany each tender. Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Treasury Tender". Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100-£2,000	£100
£2,000-£5,000	£500
£5,000-£20,000	£1,000
£20,000-£100,000	£5,000
£100,000 or greater	£10,000

Her Majesty's Treasury reserves the right to reject any tender or to allot a less amount than that tendered for. If a tender is rejected, the Stock will be allotted at the minimum price of the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, issue of which tender is accepted (the allotment price), and tenders at prices above the allotment price will be allotted in full.

Letters of allotment in respect of Stock allotted will be despatched by post at the risk of the tenderer. No allotment will be made for a less amount than that deposited with the tender. The balance of the amount paid as deposit will be refunded by cheque despatched by post at the risk of the tenderer. If no allotment is made the amount paid as deposit will be returned without interest. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Default in the payment of any instalment by its due date will render the deposit and any instalment previously paid liable to forfeiture and the allotment to cancellation.

Letters of allotment may be split into denominations of multiples of £100 on request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or by any of the Branches of the Bank of England, on any day not later than 12th March 1980. Such requests must be signed and must be accompanied by the letter of allotment, but a letter cannot be split if any instalment payment is overdue.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 14th March 1980.

Until the close of business on 16th April 1980 Stock issued in accordance with this prospectus will be known as 12½ per cent Treasury Stock, 2003-2005. "A" Stock will be known as 12½ per cent Treasury Stock, 2003-2005 and on holdings on existing holdings of 12½ per cent Treasury Stock, 2003-2005 and on holdings

of "A" Stock; consequently, interest mandates or authorities for income tax exemption recorded in respect of existing holdings will not be applied to the payment of interest due on 21st May 1980 on holdings of "A" Stock. From the opening of business on 17th April 1980 the "A" Stock will be amalgamated with the existing stock.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegal Place, Belfast, BT1 5ST; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
18th January 1980.

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged not later than 10.00 a.m. on Wednesday, 23rd January 1980 at the Bank of England, New Issues (7), Watling Street, London, EC4M 9AA or not later than 3.30 p.m. on Tuesday, 22nd January 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Tenders must be in sealed envelopes marked "Treasury Tender".

ISSUE BY TENDER OF £1,000,000,000

12½ per cent. TREASURY STOCK, 2003-2005

MINIMUM TENDER PRICE £91.50 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 18th January 1980 as follows:

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in multiples as follows:

Amount of Stock tendered for	Multiple
£100-£2,000	£100
£2,000-£5,000	£500
£5,000-£20,000	£1,000
£20,000-£100,000	£5,000
£100,000 or greater	£10,000

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £91.50—

Amount of deposits enclosed, being £25.00 per cent of the nominal amount of Stock tendered for—

I/We hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below

January 1980 SIGNATURE of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

SURNAME OF TENDERER
MR/MRS/MISS OR TITLE
FIRST NAME(S) IN FULL
ADDRESS IN FULL

STAMP OF LODGING AGENT (IF ANY)

The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Treasury Stock". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Please also see Prospectus and Tender form for 13½ per cent Exchequer Stock, 1985 on Page 11.

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LOMBARD

Mortgage rates—a solution

BY SAMUEL BRITTON

THE IRRITATING FEATURE of the mortgage problem is that it has occurred before, remedies have been suggested and ignored; and the whole debate has to start all over again. The Building Societies Association has rightly said that its members would be able to tackle the mortgage queue if they adopted more competitive interest rates. This has been interpreted to mean that nothing will be done at present, but that mortgage rates will lag behind other interest rates when the cost of money begins to come down.

Cartel

So far so good. But what has prevented competitive rates being charged up to now? The simple answer is "a political intervention". But the present cartel, with national rates recommended by the Association, is a standing temptation to politicians to intervene. If people put themselves in a position to be raped, rape is likely to occur. The abolition of the cartel has been recommended dozens of times in almost every independent economic report; but its existence suits politicians and the Association a bit too much.

But even that is only a beginning. For we have the paradox that, although on any rational consideration of the sums paid to service a mortgage, house purchase is a bargain basement with negative real interest rates for borrowers and almost guaranteed real capital appreciation, costs still appear exorbitant to many prospective home owners and phone-in radio programmes are loud with their complaints.

The paradox was explained by none other than the Government's present economic adviser, Professor Terry Burns, in a letter to *The Times*, on September 9, 1974, written jointly with Prof. Harold Rose. It illustrated the position of a typical first-time buyer. He would pay 23 per cent of his net income in mortgage payments to start with, but the proportion would be down to 19 per cent in 12 months and 16 per cent in two years. Mr. Alan Markyand of University College illustrated a different case in a letter to the *Financial Times* in which the first time borrower had to pay

38 per cent of his gross income in his first year, 14.7 per cent in ten years time and 5.7 per cent in twenty years.

This distortion occurs because inflation forces borrowers to repay at an accelerated rate, with the repayment disguised as interest. The present mortgage rate is 15 per cent, and let me underline my own argument by assuming that the inflation rate comes down to 12 per cent fairly soon, and also by ignoring the tax subsidy received by the borrower. Of the 15 per cent, some 3 per cent at most would represent a real interest payment and 12 per cent early repayment of capital. As a result of inflation the greater part of a 20-year loan is repaid very quickly and the long-term advance is converted unwillingly into a short loan.

It would be sound finance for first time borrowers en masse to borrow to pay the excess burden of so-called interest payments in the early years. But there are no facilities for the small man to do this; and there is a genuine risk if—but only if—inflation makes the course of an individual's real income more variable and more uncertain.

Indexation

Last time the issue was acute, numerous proposals were devised for smoothing out home buyers' payments so that they were constant in real terms but rose in money terms—and for various compromises between that and the present system. These schemes amounted to partial or total indexation, although a less controversial name was "low start mortgages". Why then was nothing done? The answer I suspect lies in the Friendly Society status of Building Societies. This both reduces the pressure to innovate and makes it legally difficult for the societies to tap the new sources of funds which they might need to get new ideas off the ground. The key to progress is to put home loans on a normal profit-making basis. There may be scope for Government intervention—for instance in insuring home loans to small purchasers in the early years—but certainly not in preserving a distorted market which, for allegedly social reasons, produces highly anti-social results.

IF SOIL and loose rock descend from property onto neighbouring land, independently of any human agency, can the owner of the property be made liable for the damage caused to his neighbour's land? The answer that any first-year law student would give would be unequivocally in the negative. But last July (only just now reported) the Court of Appeal in *Leakey v. National Trust for Places of Historic or Natural Beauty* held to the contrary, where the owner had not taken all reasonable steps to prevent or minimise the risk of damage.

As with so much of English law, the rule against imposing liability developed from a leading case in 1868. There a mill owner employed independent contractors to construct a reservoir on his land to provide a watermill. In the course of the work, the contractors came on some old shafts and passages which communicated with the millowner's neighbour. No one suspected that the shafts did link the two properties, for they appeared to be filled with earth. The contractors did not block them up; when the reservoir was filled, the water from it burst through the old shafts and flooded the mines. While the mill-owner was found not to have been negligent, he was nevertheless held strictly liable for the damage.

The House of Lords held that

the person who, for his own purpose, brings on to his land and collects and keeps there anything likely to do mischief if it escapes, must contain it at his peril. If he does not, he is generally answerable for all the damage which is the natural consequence of its escape. In short, the landowner is answerable for the "non-natural use" of his land.

The case did not directly decide what the legal position would have been had the same injury been occasioned by a natural user of the land. The inference from the decision is that the landowner would not be liable for damage resulting from a natural use of the land, and ever since, that has been accepted as stating the law accurately.

There has been, in the century since 1868, a steady stream of court decisions in accordance with that proposition. One anomalous exception was, however, established in relation to the encroachment of trees, where the owner was liable for damage done to his neighbour's land. That was due, no doubt, to the fact that trees, though naturally on land, are living things that grow and extend root and branch as such they are a readily and remediable source of damage by encroachment. That apart, the distinction between natural and non-natural users of land has been severely maintained.

The development of the law

in this way did not escape the criticism of legal commentators. The most trenchant attack on the rule came in 1930 from Dr. A. L. Goodhart, Professor of Jurisprudence in the University of Oxford. Rarely can an academic lawyer in this country have had so profound an effect by his writings on the law of England. His thesis was simply personified. An occupier of land must always take reasonable care in seeing that his land did not cause harm to others outside

THE WEEK IN THE COURTS

BY JUSTINIAN

There, a red gum tree on the defendant's land was struck by lightning and caught fire in a fork 80 ft high. The defendant, an exception to the rule where the harm was caused by a natural condition. And he gave some simple examples.

An artificial pond becomes stagnant and infects the neighbourhood. The owner is liable. But if it is a natural pond, could the owner sit idly by and do nothing? Refuse is deposited on land by rambles; the owner must use reasonable care to abate the nuisance caused by the refuse blowing on to the next field. But if the refuse arrives on my land first as a result of gusts of wind, can I permit it to remain there? The Professor concluded that these could not be proper exceptions to the general rule that

an occupier must take reasonable care of his property.

In spite of this onslaught on the law by a revered academic lawyer, the courts continued to limit liability to the cases of non-natural users. What, then, changed the minds of the Court of Appeal in 1979? The answer is a decision in 1986 by the Judicial Committee of the Privy Council in a Western Australian case on appeal from the High Court of Australia in *Goldman v. Hargrave*.

Western Australia, it was the end of the National Trust's defence to Mr. Leakey's claim.

The National Trust case raised the issue squarely for decision. The Leakeys' two houses had been built to the west, and at the foot of a large mound on National Trust land at Burrowbridge, near Bridgwater in Somerset. Over the years, soil and rubble had fallen from the bank on the mound on to the Leakeys' land. The falls were due to natural weathering and the nature of the soil. From 1988 at the latest, the National Trust knew that the instability of its land was a threat to the Leakeys' property because of the real possibility of falls of soil and other materials.

In 1976, after the very dry summer, followed by a wet autumn, a large creek opened in the mound above the Leakeys' house. The National Trust drew their attention to the danger from a major fall of soil. While the National Trust disclaimed any liability on the ground that it was a natural movement of the soil, it invited the Leakeys to come on to the land and do any work they liked to prevent any damage. They declined to do so, on doubt taking the view that if anything did happen they could turn to the law to make the National Trust liable. Duty, a few weeks later, a large quantity of earth and some tree stumps fell from the bank on to

the Leakeys' property.

The underlying theory of the Court of Appeal's approach was to conclude that the owner of land is in the best position to control what happens on his land, however it arises, and hence must take the responsibility for it. The neighbour cannot act on the other's land unless invited to do so by the owner, although he might take protective action on his own land. On the other hand, why should something which has its origin in some natural phenomenon cast a liability on the landowner? The conflict is between the owner acting in a neighbourly way by guarding against any hazard on his land, and the neighbour protecting his interests against any potential danger.

The law appears now to have switched towards preferring the principle of neighbourliness—at least until the House of Lords says otherwise. Unhappily for the cause of clarity in the law, the National Trust has accepted defeat. Instead of appealing to the highest court in the land, it has sought protection in increased premiums on its insurance policies.

[1980] 2 W.L.R. 65.

[1987] 1 A.C. 615.

Too easy for Border Incident

IT IS difficult to know what to make of Border Incident's facile victory in Kempton's Fulwell Chase on Saturday. He was always travelling with consummate ease and returned to well-deserved acclaim in the winner's enclosure where

the fifth from the start. These blunders undoubtedly put paid to any chance that King Weasel might have had, mistakes free, of extending his unbeaten record over fences to 11.

Although Border Incident would, on the strength of his showing, have run out a clear-cut conqueror of the favourite anyway, it is worth remembering that Easterday's post-race Chaise comment: "King Weasel (the winner) won't win the Gold Cup—Silver Buck will win at Cheltenham."

The fact remains, however, that Border Incident is now back at somewhere near his peak and major question marks remain against the names of several leading Gold Cup chances.

Ground conditions have im-

proved at Fontwell and it seems probable that racing will go ahead there today as well as at Stockton.

My idea of the best medium on the Northern course is the Guy Reed-owned Cool Down, who put up a highly encouraging display on this course at the last meeting, running Skewsbury to a couple of lengths in a division of the Shotton Hurdle.

STOCKTON
1.15—Cool Down***
1.45—Ragusa Ray
2.15—Cumbria
2.45—Anthony Glow
3.15—Badsword Boy
3.45—Barrow
FONTWELL
3.00—Shakymonnie*
3.30—Boi Rig
4.00—Glenhawk**

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THE ARTS

Wigmore Hall

Souzay

by DAVID MURRAY

Accompanied as always by Dorian Baldwin, Gérard Souzay appeared on Saturday to sing Schubert's *Winterreise* and also to contribute to the 1979 *Mirages* to the Wigmore Hall series. (The *Mirages* were Souzay's last of a series of cycles, with only four songs in each; *Mirages* is decidedly the gentlest of all the cycles, the voice never raised beyond the comfortable, reflective level of Baronne de Brimont's texts. Almost without exception, the life of the songs is all subterranean or perhaps semi-aquatic—a matter of harmonies turning obliquely beneath the serene vocal line. Yet the music exerts a degree of concealed control that makes it a considerable test at the beginning of a recital.)

Souzay's control proved happily to be as sovereign and as apparently easy as ever, his range of baritone colour as subtle and affecting. Less wide, perhaps—he took top notes cautiously (but truly), and the old penetrating lightness was less in evidence: he adopted a forthright, balanced tone for the whole of the programme. *Mirages* was not allusive, but gracefully candid, with Baldwin singing more at lucid exposition than atmosphere. In the first three of these nocturnal songs that were entirely sufficient, only in the miraculous "Danceuse" which conjures something breathless and erotic from the merest tickling-over in the piano part and a hushed

commentary, did that directness seem too simple. Baldwin's staccato dance sounded too close for comfort. Every vocal phrase in the cycle was, however, placed with musical assurance that allowed the disguised sinews of the music to be effectively felt, without betraying the civilised languor of the words.

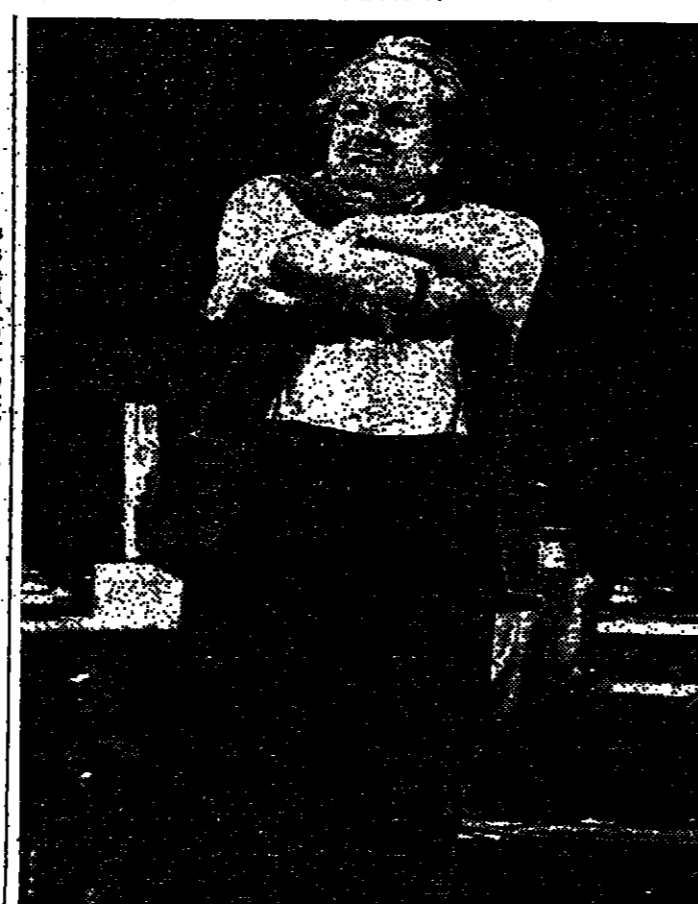
The performance of *Winterreise* was in its way quite masterly, and its way was not one that narrowed the tragic range of the cycle. Souzay did nothing like impersonation; beyond a few gestures, the songs were less enacted than narrated. But narrated with perfect sympathy—grave understanding, mature simplicity, despair without tears; if that is a specifically Gallic way of approaching Schubert, it was moving as a more immediately dramatic one may be. Every point was made through the music, by judicious weight and scrupulous shaping. I admired Baldwin's playing very much: for some time one was aware of his reluctance to produce anything much like a pianissimo (Schubert calls for it very often here), but the clarity of his reading—sentiment kept severely at bay—eventually left a deep impression of the noble power of the writing, stripped of easy graces. The cycle reminded one again of the fine contribution this partnership has made to the art of *Lieder* re-creation, and it was memorably beautiful in its own right.

Welsh/Vignoles

Again and again virtuoso recitals succumb to the fallacy that technique can best be displayed by indifferent music; audiences are numbed into estimating performance in sheer athletic rather than the musical sense—as if virtuosity were something added to a piece and not demanded by its inner nature. In Friday's concert, the *Variations Concertantes* op. 17 by Mendelssohn afforded an excellent opportunity to admire young cellist Moray Welsh's thrilling discrimination of attacks, the precise and swelling tuttis of his accompanist, Roger Vignoles, and the incandescence of ensemble—shared between them—but in a manner totally disengaged.

Unfortunately, the two works by Michael Berkeley around which the programme was shaped only helped add to an impression of great talent—the composer's as well as the executants—pouring entirely to waste, and in the process precluding serious comment. *Etude de Fleurs*, a naïf arabesque for cello and piano in an idiom suggesting distorted Faure, and *Iberian Notebook*, a holly diary for unaccompanied cello, are odd specimens of light music in evening dress. They cannot be taken as more, and indeed make no pretensions. But it is a pity that the brilliant

PAUL DRIVER



Leo McKern

Royal Exchange, Manchester

Rollo

by MICHAEL COVENEY

Leo McKern first played the title role in this Parisian boulevard farce by Marcel Achard in 1959. The previous year he had played Big Daddy in *Cat on a Hot Tin Roof*; the next, he was to create the role of the Common Man in *A Man for All Seasons*. This piece is ostensibly lighter than those two plays, but no wonder Mr. McKern retains an obvious affection for the role of Rollo "old potato-face" (the French title is *Patate*, which has an obscene double meaning along the lines of sexual limpness).

Leon, like all the best farce characters, is in the grip of an obsession. Since school days, he has hated his palindromic rival Noel. Noel always left him the fat girl in playground romances and has since married his former beloved, Véronique, a millionairess with money in Brazil. To complicate matters, Leon is an absurd inventor of useless games kept afloat by his rival's lucky wealth.

His own wife, Edith, ignored for many years, is rightly played by a beautiful actress, Barbara Shelley. They have adopted the abandoned daughter of a murdered whore. And the daughter has been having an affair with Noel. From this rich pasture of mistaken impulse and trivial resentment is cultivated a very silly play and a wonderful opportunity for Mr. McKern.

David Thompson's production too often leaves us to inspect a group of static characters con-

versing in an impenetrable circle—for a full ten minutes I inspected Miss Shelley's posture before she faints in an early scene with her husband, and the soignée Véronique (played in flowing 20s style by Anne Rogers who, incidentally, sets the design temperature with two gorgeous costumes).

But, at the centre, we do have Mr. McKern stamping and gurgling his way through an incomparable performance. At one point he brings down the house by flopping onto a chair that collapses before resuming his needling inquiries. Forever pulling himself up short in the face of his own absurd behaviour, he nonetheless discovers the identity of his daughter's affection only to lead his own machinations run ahead of him and nearly ruin the plot.

It is an irresistible display of inspired and varied ingenuity. I shall particularly relish the scene where he leaps out of the dark to garish his predominant impression of a balled ball with the panache of a favourite tumbler. Jack Hedley as Noel can only gasp in surprise and admiration at this double image of victim and predator.

Mr. Hedley is supremely skilful as the stoical adulterer and contributes fully to Rollo's confusion when he at last remembers his youthful flirtation with Edith. There is good support, too, from Clare Higgins as the daughter and Anthony Wingate as an untroubled butler.

RONALD CRICHTON

Covent Garden

Mayerling

by CLEMENT CRISP

The latest performances of Mayerling at the week's end brought several changes of cast: Stephen Jeffries as Rudolf with Alfreida Thorogood as Mary, Jennifer Penney as Larisch, and Sandra Conley as Elizabeth on Thursday; Marie Park's debut as Mary to David Wall's Rudolf, with Conley as Larisch and Monica Mason (the bright Miss of the previous night) as the Empress Elizabeth on Friday.

That all these interpretations were so well-reasoned, so dramatically vivid, and so different, is tribute to the Royal Ballet as an ensemble of dance actors, and to the richness of Mayerling as a portrait of a society. It is the fact that these characters are all real, their dilemmas immediately comprehensible, that inspires performance of such vitality. With such restraint blew rather than salient—to get their interpretations into the Royal artists extract maximum nourishment from their roles; there is not one corroding, dainty fairy-tale mannerism in sight.

Stephen Jeffries is a player whose art seems spontaneous, natural, able to express and convey to us the least flicker of emotion. On Thursday his Rudolf opened on too tense a note; unsmiling, angry, there was little of the light and shade of feeling with which Wall carries the texture of the character. But after the interview with his mother, and throughout the second and third acts, Jeffries was on his best form. A leaden pallor, dance torn from him by neurosis—and immense distress of spirit conveyed during the motionless moment when Katharina Schrafft sings, which is the eye of Rudolf's storm—were the superb outward signs of his inner sympathy with the role.

He was in every way matched by Alfreida Thorogood's Mary. Thorogood is the purest, loveliest classic dancer in the Royal Ballet; she gave Mary's dances a clarity of expression which exposed their essential academicism, and she brought to them a bold sensual drive which told everything of the girl's character. The combination of technical propriety and sexual abandon was complete justification for the personality. Jennifer Penney's portrait of Larisch was also that of a woman physically in love with Rudolf. Unlike Marie Park's grand creation, Larisch shows how sensitively the Prince's emotional needs, or Sandra Conley's fine, grasping

portrayal on the next night, which seemed an exercise in power-seeking, Penney's portrait was a frank avowal of Larisch's continuing need for Rudolf's love. And it was mature, admirable at all times.

Conley's intelligent view of the Empress was one of feeling held in check: Monica Mason's on Friday was of apprehension when faced with her son—a sharp, worried glance towards Rudolf at the start of the closest scene suggested how much he dreaded his demands—and of emotional release only possible with "Bay" Middleton.

Park's impersonation of Mary on Friday was, naturally, distinguished. Light in statement, Mary's feelings seemed to flare briefly, so that the suicide scene was played on a note of resignation to a fate she has sought. From David Wall on this occasion a Rudolf marked by great weariness of spirit: there is extreme pathos in the first act when encircled by the Hungarian separatists, he escapes from their arms and gazes out at us, desperate for peace of mind. Wall here, as so often throughout the ballet, is almost good.

I am happy to report that the vexed snow-scene has been much improved by re-lighting by pruning of dances, and by suppression of the snowballing. I am less inclined than some to call for its excision; it remains a mysterious, allusive passage in which the dramatic threads that animate poor puppet Rudolf are tugged for the last time—least the Empress's suspicions about Larisch. Were cuts to be made, I would only welcome some deletion of the whores' capers in the tavern.

Two black marks must be noted: the first concerns a tendency among certain artists to mouth conversation as an aid to their playing, which is a denial of everything dramatic dancing is supposed to do. The second is for the stage management which, on Thursday night, blocked the doors of the tavern, and then failed to drop a gauge, so that Mary was buried in a snow storm in the bedroom at Mayerling, and on Friday provided only the most diminutive "pop" for Rudolf's gun in the snow scene. Otherwise, much praise for the ensemble, with an especial gratitude to Graham Fletcher as Erastich, a characterisation of bravura dance and acting which is entirely perfect.

Festival Hall

London Schools Symphony Orchestra

A slightly disappointing concert, yesterday's by the LSOA London Schools Orchestra. A listener sensible of every moment of the continued achievement to be reckoned in these performances of Wagner (*Rienzi* Overture), Bloch (*Schelomo*), and Chalkovsky (*Little Russian Symphony*) could sense, none the less, an overall level of attainment noticeably lower than in concerts of the recent past under Simon Rattle and Andrew Davis. The latest accession to the LSO podium was Myung-whun Chung, still more familiar in these parts as a young virtuoso pianist of bright gifts; about his orchestral direction, though, there were pleasing features, and delicate moments of colour and delicacy in all three works; the overall impression was one of incomplete control of forces.

In the Overture, the light mass of violins relative to other sections required in turn that brass and percussion be more

resolutely tamed; the "big tune" emerged somewhat less than rousing, camouflaged rather than decked in a welter of crash and jingle. Internal balances were persistently faulty in the *tutti* of the Block Hebraic Rhapsody; bombast, always a danger in a work of glowing melodic character and enthusiastically sprawling form, was kept in check only by the tact of the cello soloist. Mr. Chung's sister Myung-wha—the tone was not large, and not always clearly projected, but her phrasing was both poetic and discriminating. Was this year's programme too ambitiously chosen? From the number of solos nervously taken in the Chalkovsky symphony, music particularly rich in grateful solos, it seemed so, though the Finale at last gathered some of the force and excitement awaited earlier.

MAX LOFFERT

Glasgow Citizens

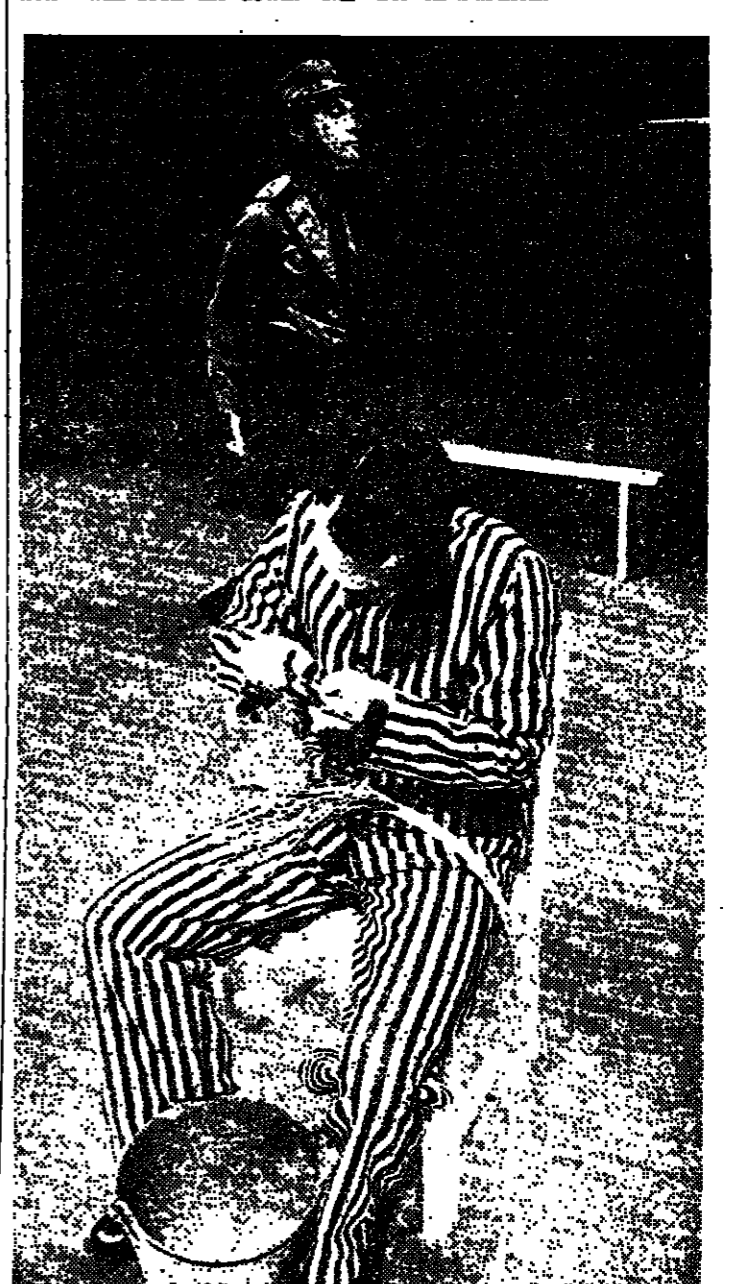
Fears and Miseries of the Third Reich

by MICHAEL COVENEY

Brecht's collection of sketches and short plays, written 1935-1938, remains one of the best documents we have of how the abuse of power thrives not only in the community that is being violated but also among the administrative and professional classes whose support is necessary to inflict the damage. In the fleet-footed and scathing manner of his approach, Brecht was never better as a satirist. Two prisoners in striped suits whisper under surveillance. They are bankers. One has been charged with putting bran in the bread; the other with not putting bran in the bread.

The slowness and quickness of that sketch is a little spoiled by the actors having to wait for an A man to trundle portentously across the stage between lines. Although Giles Haverall's production is generally equal to the double-edged humour of the show and is particularly good at encouraging emotional turmoil where appropriate, it does trundle a bit. Sue Blane's stage design is all white, with three large billiard tables upstage around which unemployed (sic) members of the cast lounge to the accompaniment of an end-bus, though muted, bandstand cacophony. Unusually for this theatre, the physical presentation is rarely ignited by the actors' work.

A notable exception is provided in the staging of one of the most famous short plays, *The Jewish Wife*. The monologue of the consultant's lady folding her underwear and saying goodbye to her friends by telephone is superbly delivered by an actress new to the company, Zoë Gonard. Upstage, a single actor casually knocks the balls around before sliding into focus as the consultant himself, Alan Rickman, another invaluable recruit, is the consultant, convinced that "this inflammation" will soon die down. All



Jim Hooper (standing) and Joss Trout

Festival Hall

London Choral Society

Simon Rattle has taken over the conductorship of the London Choral Society, with Nicholas Cleobury as chorus director. Saturday night's concert with the Royal Philharmonic Orchestra reached an excellent standard. Three works—Rakhmaninov's *Three Russian Songs*, Szymanowski's *Stabat Mater*, Prokofiev's *Alexander Nevsky*—from the inter-war period, each one conducted by Mr. Rattle with exceptional sympathy, skill and naturalness.

Nothing forced, nothing done merely for effect, yet none of the improvisatory quality sought by some interpreters today

with results not always distinguishable from under-rehearsal. With the RPO responding as they do to such guidance as Mr. Rattle gave them, this was very different from the old kind of choral concert in which the orchestra was an "also ran" largely and mercifully covered with a blanket of vocal tone.

In the Rakhmaninov Songs the balance was tilted almost too much in favour of the orchestra (the scoring is sumptuous both in detail and in general effect) yet all that was needed was a clearer edge on the chorus words. Is it the intricate orchestral writing coupled with the unimportant-sounding

title that have led to the neglect of a minor but delightful, rewarding work? The Szymanowski, restrained, and "inward" but strongly built in a way that makes the smouldering climax of the fifth section doubly impressive, entirely avoiding the loping rhythms into which the poetic metre betrays some composers, was given a beautifully sensitive reading. Felicity Lott and Elizabeth Connell were admirable soloists, Willard White scarcely less so except that the composer possibly had in mind a harsher, more penetrating sound than the noble tone of the Jamaican bass.

Alexander Nevsky, though understandably popular, is showing signs of over-exposure. In a performance that resolutely refused crudity or over-emphasis the "Battle on the ice" stood up well, likewise the lament for mezzo, finely sung by Miss Connell, and the short and punchy rejoicings of the fourth number. Otherwise, shorn of the visual impact of Eisenstein's film, the patriotic music and the musical depiction of the Teutonic Knights outstay their welcome. But even in the cantata's beefier moments the choir's intelligence and refinement made up for sheer weight.

RONALD CRICHTON

SOCCER BY TREVOR BAILEY

Spurs teach Brighton a lesson

BRIGHTON AND HOVE Albion, which had suffered only one defeat in 11 consecutive matches, and had consequently climbed off the bottom place in the table, were brought sharply back to the realities of First Division life by Tottenham Hotspur on Saturday. The Londoners not only beat them 2-0 at the Goldstone ground, but in the process handed out a footballing lesson on a tricky surface. The manner, and the completeness of their victory made a nonsense of the fact that before the kick-off a mere two points separated the two teams.

This is Albion's first experience of life with the elite, and it was inevitable that they would have problems establishing themselves. Last season, when along with Crystal Palace and Stoke, they gained promotion with no more than a competent Second Division team which possessed an abundance of spirit and allowed them to play consistently above themselves.

But they did not have the large number of quality young players, the product of Palace's successful youth team, nor the experience and the tradition of the club from the Potteries. The

one common denominator of the three promoted sides lay in having above-average youthful, ambitious managers—Mullery, Venables and Durban.

It was entirely understandable for Brighton to be struggling at the start of the season and firmly anchored at the foot of the table. The real surprise is their recent revival which Alan Mullery has effected with the players at his disposal for some of them are not of true First Division calibre. This weakness was highlighted against Spurs, especially in the first half when with better finishing the visitors could have scored at least two more goals without being flattered.

After the match, Mullery warmly praised the Londoners for their skill, and in particular for the work of their two world class Argentinians, the powerful Villa and the dainty Ardiles. This pair, with the support of the elegant Hoddle and the eminently practical, professional Yorath form what is just about the most inventive and exciting attacking half-back foursome in the land. They dominated the middle of the park and provided their two lead forwards—the whole

hearted if somewhat unsophisticated Armstrong and Taylor, who was pressed into service as a late replacement after a long lay-off through injury and was not completely match fit—with numerous chances.

Ward, the Brighton striker, tightly marked by the impressive Miller and the dependable Perryman, must have wished he had been playing for the opposition, as there was at the very least a hat trick for the taking.

One of the main reasons for the effectiveness of this Spurs midfield quartet is that they are such a beautifully balanced unit, with the strength of Villa in possession, the bite and character of Yorath, the vision and craft of Ardiles and the control and positional sense of Hoddle. Against Brighton, their balance was not only complete but also physical because on Saturday's tricky pitch they kept their feet and brought the ball under control far better than their opposite numbers.

Will Brighton achieve their main objective, survival? Much, rather strangely, could depend on their clash with Arsenal in the FA Cup at Highbury next

Saturday. As they were humiliated in front of their own supporters in the League and dismissed from the League Cup by the Gunners they should, on form, lose.

However, if they did win through to the next round, it would provide a great boost to their morale whereas defeat on top of their experiences against Spurs and the unpleasant prospect of an away game at Ipswich could easily cause that drop in confidence or belief in themselves which so often provides the difference between survival and relegation.

I hope they succeed for the Albion are a friendly, well-administered club, who have had to wait a long time to reach the top. Inevitably, they have made some mistakes.

It would be true to say, and nobody can be more aware of the situation than Alan Mullery, an essentially intelligent and honest individual, that they will have to acquire some new blood if they are to make a real impact for it will be several years before their youth team pays a dividend.

In the meantime, Clarke and Ward have blended well to form an above average strike force.

RUGBY UNION BY PETER ROBBINS

Pack wins the day for England

ENGLAND MADE the best possible start to their season by annihilating Ireland 24-9 at Twickenham on Saturday. Considering they scored only 52 points in their four matches last year it was most encouraging. However, there is sterner stuff to face in the near future. Ireland, so optimistic after their Australian successes, have a lot of repair-work to do and with the game being played at such a pace some of their forwards looked a little short of fitness.

It is easy to say that England's pack won the day and so they did. But there was much more to the match than just that. There were several early crises to be faced, notably the three penalty goals that Campbell casually put over following Harle's first penalty to England. For England to be six points down after a quarter of the match was really quite absurd.

With the backs losing possession in the tackle so fecklessly and Ireland kicking them back, the whole team effort might have fallen apart. It didn't and it says a lot for the spirit of the team that the players stuck to individual and collective tasks with such purpose.

I cannot recall seeing the Irish pack so comprehensively

outplayed in every phase of the game. The selection of Blake-way was inspired. Although Orlowski, the Irish loose head, is extremely experienced, Blake-way was able to get underneath him and place the cornerstone of England's success.

England's front row was magnificent and provided a splendid platform for Horton and Beaumont who both generated a tremendous shove particularly in the later stages of the game. That shove kept Slattery and O'Riordan attached to the scrum and when Ireland heeled it also prevented Duggan from picking up cleanly. It was particularly important to sustain that pressure because Fitzgerald had been heaving very quickly in the opening quarter.

The control at the scrum meant that England had far more options, and when they were leading 18-9, Beaumont wisely changed the tactics and kept things tight. There was not always perfect harmony between Scott at No. 8 and Smith, Scott appearing to be too keen to go on his own. But it did serve the purpose of pressurising Ireland at their weakest point. Scott's final try was a just reward for his hard work.

In desperation, Ireland moved

Keane, Glennon and Duggan en bloc to the middle of the line out to counter Beaumont and Horton. It had little effect and Wheeler's accurate throwing was a great boost for England. Beaumont caught well, as did Horton, when it really mattered. I have been critical of Horton in the past but he had a fine game and lasted the pace well.

England's rucking was also much better mainly because Neary (in supreme form) and Urtley set the ball up so well. They showed a remarkable empathy with Smith but it was Beaumont who set the standards of application and endeavour. Behind, such a solid effort, Smith, not surprisingly, had his best game for England so far. His defensive kicking in the second half was a great uplift to his pack. His pass is still not quite quick enough but I was glad to see him take on the Irish back-row to add variety to England's game.

The improvement of Horton's kicking from 25-half after the first dangerous 20 minutes—and his increased confidence to revert to his normal running game—were also key factors. Before his tragic injury, Bond had made a considerable contribution with his powerful run-

ning which was closely imitated by Carleton. It was not pretty stuff but it was not a day for frills as England's forthright tackling indicated. What I did enjoy was the obvious thought that had gone into the game with Slemen, for example, being used in defence in the 22.

One has the impression that there is much more to Campbell's game than just accurate kicking. He made one dazzling break and in the second half, when Ireland were obliged to run the ball from anywhere, he passed quickly and economically to McKibbin and Burns, a replacement for the injured McNaughton.

Ireland's threequarters looked very nippy but couldn't possibly live off the scraps of possession offered by their subservient pack. O'Brien, the new fullback, made very few errors but those he did make were extremely serious. His first major mistake was not to deal with Smith's beautifully placed diagonal kick which led to Slemen's try that gave England an important 15-9 lead at half-time. That lead was never really seriously threatened in the second half thanks to the superb performance of the England pack.

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Peace at risk in the Balkans

WESTERN EUROPE has shown an unhappy lack of unity over its reaction to the Soviet invasion of Afghanistan. Some countries seem to take the view that Afghanistan is a far away country whose fate should not be allowed to jeopardise the political and economic gains of détente in Europe. Now, however, the future of Yugoslavia has raised fresh questions about East-West relations—and this time there can be no illusions. Yugoslavia's future has direct relevance to the peace of Europe.

Yugoslavia lies in the heart of the Balkans, and the Balkans have been a powder keg too often for Europeans to underestimate the strategic, economic and political importance of this region. An economically developing, militarily secure and politically independent Yugoslavia has been a major factor for security in this fractious region for over three decades. Yugoslavs themselves have been the main beneficiaries. They have been able to patch up the ravages of a bitter guerrilla war and civil war. They have shown the world that a multi-ethnic society can work and that communism does not automatically lead to state monopoly capitalism and brutal oppression.

The future of Yugoslavia is, of course, primarily a question for the Yugoslavs themselves to decide. For over 40 years since their expulsion from the Cominform in 1948 the Yugoslav leadership and peoples have made crystal clear their determination to run their own affairs in their own way. Their experience of non-alignment has convinced them that the best path for Yugoslavia and the world at large is for Yugoslavia to remain independent of both the power blocs.

Reasserting the rules for steel

THE meeting on Saturday between Ministers and the leaders of the steel industry unions on Saturday was at first sight entirely unproductive. Sir Keith Joseph repeated his now familiar insistence that taxpayers could not be expected to provide any further subsidy for steel industry wages, but the main strike leader, Mr. Bill Sims, continued afterwards to demand that money already provided for investment and closure expenses should be diverted to wages. Such a distribution of the seed corn could only do further damage to British Steel's already very questionable future.

Basic facts

It may be wondered, in such circumstances, whether it was not a mistake to meet at all; but the Government, which has laid down the ground rules under which the management must negotiate, has both a wish and a duty to ensure that those rules are clearly understood. It is to be hoped that Sir Keith and Mr. James Prior did succeed in making certain basic facts clear. The first is that the Government is not and does not intend to be involved in wage negotiations. That does not merely mean that it refuses to finance an uneconomic settlement, but that it does not have any view on the size of a self-financing settlement.

The second and more possibly ambiguous point is the nature of the cash limit which the Government has imposed. Mr. Sims must surely understand that the cash which is already on offer is intended to improve BSC's efficiency, even if he continues to wish to divert some of it to other purposes. However, one way in which the scale of a self-financing offer could be raised is by supplementary measures to raise productivity, by means of redundancies or productive spending beyond the programme already proposed. There appears to be nothing in the principles which the Government has laid down to rule out new investment proposals of this kind, which might

Yugoslavs can prevent from happening. That said, however, there are several things that the West can do to help Yugoslavia help itself. One is for the Common Market to finalise the long-delayed five year special agreement on terms which would allow Yugoslav goods improved access to West European markets and financial help for much needed infrastructure projects. A decision on this could be taken next month, as was implicitly promised last week. The West should also make clear that it is prepared to continue supplying Yugoslavia with the kind of military equipment it requires for self-defence, while resisting any temptation to seek bases of any kind. Thirdly, the Soviet Union should be left in no doubt at all that any Soviet attacks on Yugoslav integrity or independence would be seen by the West as a whole as an unwarranted breach of the whole framework of post-war relations agreed in Yalta and as such, an attack on peace in Europe which would be resisted.

Welcome

But the future of Yugoslavia will not be determined by events in that country alone. Neighbouring Albania also has an ageing leader in Enver Hoxha, the iconoclastic leader of a country which now has no great power allies and is looking around for new trading partners. It too should not be made the object of future great power rivalries. Greater efforts should also be made to resolve the dangerous hostility between Greece and Turkey and the Cyprus question.

At present NATO has detected no indications of any Soviet military movements in the Balkan area. This is a welcome sign. If the Soviet Union is indeed still interested in a meaningful policy of détente in Europe it could have no better means of demonstrating it than by joining with Western Europe in an East-West understanding to keep the Balkans out of great power rivalry.

This would have to include restraining Bulgaria from raising the Macedonian question, hitherto an accurate barometer of Soviet-Yugoslav relations, and resisting any temptation to move Soviet troops into Romania. Romania, unlike Yugoslavia, is a formal member of both Comecon and the Warsaw Pact. But it, too, has expressed its desire for greater national independence. This plan has to be respected if the Balkans are to remain an area of peace and stability.

Whitehall on the head-hunting trail for board chairmen

By JOHN ELLIOTT, Industrial Editor

FIRST VACANCIES FOR CHAIRMEN OF STATE INDUSTRIES

Industry	Present Chairman	End of contract	Salary in April*	Responsibilities
British Aerospace	Lord Benwick	March 1980	£44,000	Dr. Austin Pearce succeeds as full-time executive chairman working with two divisional chief executives
British Shipbuilders	Admiral Sir Anthony Griffin	March 1980	£44,000	Full-time non-executive post working with separate chief executive who is also a deputy chairman
National Nuclear Corporation	Lord Aldington	Feb.-March 1980	Not known	Job being reorganised
British National Oil Corporation	Mr. Ronnie Utiger	August 1980	£53,500	Acting chairman and chief executive pending reorganisation
British Steel Corporation	Sir Charles Villiers	Sept. 1980	£48,500	Full-time post sharing executive responsibilities with a chief executive who is also a deputy chairman
BL	Sir Michael Edwards	Nov. 1980	£52,500	Combines the role of chairman and chief executive
British Airways	Mr. Ross Stainton	Dec. 1980	£44,000	Full time chairman operating with separate chief executive
UK Atomic Energy Authority	Sir John Hill	Feb. 1981	£38,500	Full time executive chairman
Post Office	Sir William Barlow	—	£48,500	Executive chairman — vacancy in 1981 when corporation split in two

*Salaries fixed according to the Government's Top Salaries Review Body recommendations, apart from Sir Michael Edwards who receives the pay he was on at Chloride before being seconded to BL in 1977.

ber of the National Enterprise Board.

At some stage a little known list of the "great and the good" called the Central List, which is run by the Public Appointments Unit of the Civil Service Department will be consulted. There are 3,500 people on this list, which is used for all sorts of Government appointments; but it rarely produces an industry chairman because it is too generalised. As with lists kept informally by individual departments, the Appointments Unit has names submitted from a number of sources, and some people who nominate themselves.

So there is no formal system covering all departments and it is up to each ministry to develop its own methods, subject to the Treasury and Prime Minister's office vetting the most senior industry appointments. Sir Peter Carey, the Industry Department's Permanent Secretary, has for example formed a small ad hoc group of advisers and is also thought to be interested, along with other departments, in increasing the number of non-executive directors moving from one industry to another. Meanwhile the Transport Minister, Mr. Norman Fowler, is putting people in their 30s onto boards as part-time members, and is trying to organise heirs apparent well in advance for chairmanships.

The sorts of people often considered for the chairmanships—given that men in their 40s are difficult to attract—are those occupying or retiring from top jobs. Sir John Greenborough, former managing director of Shell UK and the current CBI president, is believed in his home industry to have been offered the chairmanship of the British National Oil Corporation on two occasions. Sir Denis Rooke, the self-made chairman of British Gas, is now being tipped for another challenge, probably at the

BNOC or, possibly, at British Steel. Sir Barrie Heath, the retiring chairman of GKN, had been mentioned as a candidate if Dr. Pearce had not gone to Aerospace, while Sir Lindsay Alexander, of Ocean Transport, was offered (and rejected) the Shipbuilders' chairmanship. But not all the names that appear in speculative reports about chairmanships are necessarily genuine runners. Some of them are self-promoted, either intentionally or simply because it is often difficult for top industrialists to admit that they have not been offered a job.

The particular skills and experience required for various jobs will obviously direct attention to certain sorts of candidates, although there is no rule about this and the hunt often becomes so desperate that preconceived notions of an ideal person are often abandoned. For example, Sir Charles Villiers, a 64-year old merchant banker, was not the first choice for the BSC chairmanship four years ago when no one had specially thought of scouring the banking fraternity for a candidate.

Now the Government would like to find a financially experienced industrialist in his 40s for British Steel, with leadership qualities to win over the workforce, and the tact to work alongside Mr. Bob Scholey, the blunt, down-to-earth chief executive and deputy chairman, who would like the job himself. Many names have been floated in newspapers and magazines, and approaching a dozen have been seriously considered as runners by the Government; but either they have been discarded or they rejected the approach.

Mr. John Gardiner, the 44-year old chief executive of the Laird Group is believed to have refused the chairmanship not only of the BSC but also of Shipbuilders (where he has just become a non-executive director). Mr. John Harvey Jones, a deputy chairman (and possible future chairman) of

ICI is believed to have been approached, and Mr. John Eccles, chairman of Ransome Hoffman Pollard, was considered by Ministers. Sir John Buckley, chairman of Davy has been mentioned, as has Sir Peter Carey, who is in charge of the hunt and has shown no personal interest in the job. Among politicians named and certainly considered informally by the Department are Mr. Eric Varley, former Labour Industry Secretary (who if he ever decided to leave politics would probably rather go to the National Coal Board when Sir Derek Ezra retires in 1982), and Mr. Roy Mason, former Labour Ulster Secretary and ex-miner, who would also prefer the coal job.

From within the steel industry, in addition to Mr. Scholey, another name canvassed has been Mr. John (Jake) Stewart, a member of the old Stewarts and Lloyds steel family, who is in his 40s and is the BSC's managing director in Scotland.

The Nationalised Industries' Chairman's Group has called for a more professional approach to selection and has suggested various changes, including a system involving more internal appointments with the selection process starting nine months before a contract expired. The chairman would know whether he would be reappointed three months after that.

But nothing positive has emerged from these ideas, and the suspicion remains in the industries that governments like the present ad hoc system. As one of the people sometimes consulted commented: "It's a case of Ministers and civil servants revelling in the sort of power play that they understand and enjoy."

Headhunters called in

But no-one has been found and the Government would now probably like to appoint someone to move in as soon as the current national strike is over to work alongside Sir Charles Villiers until he goes at the end of the summer. Rather late in the day, the Industry Department has called in headhunters including Russell Reynolds which has now submitted some names.

Headhunters usually charge a third of their target's annual salary as a fee—£16,000 in the case of BSC—and have been used for a variety of appointments in the past, especially by the Industry Department. But now they have usually proved themselves more successful at finding specialists

top executives—like finance directors—than chairmen, although they have also sometimes been used to sound out a candidate whom a department might not wish, initially, to approach openly. If the headhunters managed to help find some chairmen for posts now falling vacant they might well be more widely used in the future.

The main problem however is not the method of selection but the fact that the industries do not breed enough of their own chairmen. High fliers at universities who want to go into industry are almost certain to go into the private sector, while those interested in public administration will aim for the Civil Service. As a result the public sector industries are often left with little apart from their technical experts and about 25 per cent of their top posts are filled from outside. It is relatively rare to rise up through an industry and become chairman although it has been done by people such as Sir Denis Rooke and Sir Derek Ezra. But there is no obvious career pattern either within individual industries, or even spanning the State-owned sector.

MEN AND MATTERS

Young master back at school

Nigel Short, the 14-year-old chess prodigy, could not make the trip with the English team which left at the weekend for the European championships in Sweden. "His headmaster feels he has already had too many days out of school," explained David Anderson, the team's non-playing captain.

Even without young Short, the youngest-ever International Master, the skipper is still confident his players, average age 26, have an outside chance of taking third prize behind the Hungarians and Russians and one place ahead of the Yugoslavs.

Young Nigel is not the only world-class player having trouble with the headmaster. Paul Littlewood, a 24-year-old chemistry teacher, staging his first appearance for his country after making the grade as International Master last September, told me his head was "not struck" on lengthy absences from the lab. And I detected a tone of resignation in his admission that in his two encounters with Short he had only managed to draw. More assured was John Nunn, a mathematics lecturer at Oxford, who boasts three wins—"one only two weeks ago"—and a draw over the newly risen star.

Ray Keene, one of the team's most experienced members, who turned professional eight years ago when he was 23, is more canny. "I avoid playing youngsters if I can," he says.

Reticent about the earning power of a pro chess player, Keene says only that from book royalties, prizes, newspaper columns and chess displays, a full-time good class player can earn "well in excess" of the income of a man in middle management. His eyes twinkle at the thought of the SFRL prize collected recently by Russian Karpov in a world tournament.

Sponsorship in Britain yields

more modest rewards, although rising popular interest in the game has started to draw backers. A few years ago, Keene recalls, the backing was so poor that some of England's best players refused to play for the national team. Michael Butterwick, chairman of Duncan Lawrie, the plantation and warehousing firm backing the current trip, is a keen chess buff himself. "There's little publicity in it for us. We do it for the love of the game. I think this will cost us about £3,000," he tells me.

The players also seem to appreciate the low-key approach and cringe at the thought of circus-style sponsorship now common in the U.S. Their modesty is well in control of their financial aspirations, and I found no one who would be happy to sacrifice his independence and play endless exhibition matches kitted out in promotional costumes—no matter what the rewards.

Lame excuse

A young veterinary surgeon friend, eager to make a name for himself and therefore happy to turn out at all hours, tells me he drove out to an isolated farm one night, recently in answer to an "emergency" call. Arriving at the holding and asking to be led to the ailing beast, he was told there was no veterinary crisis. "I have to get into town in a hurry," the farmer said. "My car's broken down and my visiting fee is less than the milk-cab fare."

Soldier's tale

I hear one of the international business community's more rumorous members, Simon Murray, executive in charge of trading operations for Jardine Engineering in Hong Kong, will bounce back to London next March for the launch of his paperback book, *Legionnaire*. Murray, who started work as a trainee engineer with Matther



"... and what's Supergrass got to say this week?"

and Platt in Manchester in the late 1950s, tells me that the over-riding gloom of those days, rendered even more profound by his habit of spending £10 a week on a wage of £7, led him to seek "romance" in the French Foreign Legion.

Brimming with romantic notions, he signed on for five years at the romantic age of 19 and found himself pitched headlong into the Algerian war. His memoirs, he says, are a full record of his service during which he made modest progress through the ranks, climbing from expectant point to battle-weary corporal chef.

Back in now-swinging Britain in 1965, he shook the sand from his boots, switched back into engineering with Jardine and moved on to Hong Kong, taking with him his new wife, Jennifer, daughter of his old boss, Sir William Matther. "I used to think he was an awful harum scarum chap," Sir William recalls fondly. And while Murray retains much of his barnstorming vigour, his father-in-law's view of him has moderated. "He's doing very well. I think he could be called a whizz-kid. But he's still a tremendous

character, a great entertainer." Perhaps most of a character than an original in some ways. He made a name for himself last year at a Stamford University summer school, it is true. But the feat that did the trick—swinging from a chandelier—must surely have been tried before.

Tick for tourists

It is often said that "Brazil is not logical, but it works." So the authorities have conceived an idea that tests the brains of those accustomed to financial logic: the Bank of Brazil, at the instigation of the National Tourist Board, is offering £25m in loans at 15 per cent interest to citizens of the U.S. wishing to visit "the country that is a continent."

If the idea works, the borrower—pay later policy will be extended to Europeans and Japanese. The reason for this novel offer, from a country £254bn in the red, is that vast Brazil has a minute tourist trade.

Only 750,000 people came visiting in 1979 but calculating that they spent as much as the government statisticians. Most exchanged their pesos, dollars, sols or yen on the thriving black market, which has always extended a warm welcome to foreigners.

Less friendly, I learn from Rio, are the muggers, pickpockets, armed restaurant, shop and bus raiders and cab drivers who have a colourful habit of turning up meters to ten times their normal speed—all of which make a loan, on occasion, quite useful for the visitor from abroad.

Revised version

—Seen stuck on the rear window of a car in Sheffield. "Do something about the steel strike, Mrs. T. Necessity is the mother of intervention."

Observer

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FINANCIAL TIMES SURVEY

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TURKEY

A minority Government is trying to tackle the economic crisis and political violence which wrack the West's most important ally between Europe and the East. Before Afghanistan—and even before Iran—Turkey's position was crucial. Yet the West has been slow in helping a country whose difficulties also show how oil prices rises threaten the developing world.



A vital ally for the West

By David Tonge

WHEN a Romanian oil tanker exploded in Istanbul two months ago, many people's reaction to the noise was that the civil war had started.

Between 150 and 200 people are being killed each month. There is little fuel oil, little lignite and little electricity to heat the snow-bound homes of Anatolia. Unemployment exceeds 20 per cent. Inflation is unchecked with prices rising at an annual rate of 70 per cent. Factories are working at far below normal capacity, and workers' real incomes have fallen by up to one-third. "They talk of austerity and tightening belts but our belt buckles already touch our spine," one union leader complains.

It is a recipe for unrest. The left describes Turkey as "the weak link of imperialism." The religious right says Turkey is being punished for "making

friends with those who are not with Islam." And Ankara looks anxiously south east, wondering how long it can control the pressure spreading from Iran to Turkey's 7m Kurds.

This then is the state of the West's most important ally between Europe and the East. Though its people are Moslem, its secular state is showing every sign of resisting the surge of Islam round its borders, not least in Iran. But even before Afghanistan there were reasons why the West should have been concerned. NATO may never have considered Turkey would accept theatre nuclear forces on Turkish soil, but the country's strategic position is important. Straddling the Bosphorus, it helps to pinch "the giant's nostrils," as Churchill once wrote. Further, the U.S. needs its bases in Turkey to monitor Soviet missile launches and would like to use the bases in a way which Turkey at present forbids, as staging posts.

Then there are economic considerations. Turkey's 45m people make it a large market. The country's foreign debt reflects this, totalling over \$14bn, of which more than half is owed to Western banks.

Yet what has been the West's response to Turkey's predicament? The answer is an object lesson in neglect. The result is a warning to both the West and other developing countries.

It took a particularly bloody massacre in Turkey, the proclamation of martial law and, in particular, the advent of the Ayatollah Khomeini to make the West face the problems involved. At Guadeloupe a year ago it

was agreed that emergency aid should be given. Yet the aid which eventually came could hardly be described as emergency. Between Guadeloupe and the Organisation for Economic Co-operation and Development seven months passed. The sums involved were reasonable, around \$1bn. But the aid was largely tied, depended on Turkey being on good relations with the International Monetary Fund, and was slow to be made available.

Agreement with the commercial bankers also lagged. When it did come it involved the re-scheduling of Turkey's arrears at a rate extremely profitable to the banks, and over seven years—a term so short that it is only a matter of time before the re-scheduled debts will themselves have to be re-scheduled.

Battles with IMF

It has to be said that Turkey has often been its own worst enemy. This was particularly true in dealings with the IMF. The Government of Mr. Bulent Ecevit which was in office between January 1978 and October 1979 failed to keep its 1978 agreement with the IMF. It was only after it had been in office 19 months that it finally reached a fresh agreement last July.

Before this, Mr. Ecevit had frequently been involved in public battles with the IMF. But the IMF, for its part, showed little of the spirit of its 1974 promises to bear in mind that "the special characteristics of developing countries make it difficult for them to achieve prompt adjustment

without seriously damaging their long-term development programmes."

Indeed, when agreement was finally reached last year it was for a mere 250m SDR (\$320m). One-third of this was from Turkey's normal credit facilities and the other two-thirds from the IMF's new Supplementary Financing Facility (the so-called Witteveen Fund). But there was nothing from such other sources as the IMF's Extended Fund Facility.

On the contrary, at times Turkey seems to be receiving better aid from the Soviet Union than from its treaty allies.

Turkey's politicians must share the blame for the crisis. The 1975-77 coalitions of Mr. Ecevit's right-wing rival, Mr. Suleyman Demirel could agree on little except profligacy. They left a tainted legacy to Mr. Ecevit. He claims to have been let down in 1978 by Western financial sources. But throughout he appears to have over-estimated the weight which the West attached to his argument that his fall would be the fall of parliamentary democracy. And Turkey's strategic importance was less apparent than it has been since Christmas.

However, this whole present crisis is not a simple wrinkle in the process of growth. It is a long-term problem of Turkish society at large no longer fitting the clothes it once wore.

The traditional economy and village values have been overtaken. The pains of shifting to an increasingly urban society have been aggravated by the inexorable growth of population. Industrialisation is prov-

BASIC STATISTICS

Area	267,812 sq. miles
Population	43.21m
GNP TL	1,228.6bn (\$26.4bn)
Per caput TL	28,434 (\$610)
Trade (1978):	
Imports TL	101.2bn (\$2.17bn)
Exports TL	55.3bn (\$1.19bn)
Imports from UK	\$110.57m
Exports to UK	\$64.57m
Currency: Lira:	£1 = TL 106.33

ing as traumatic a process as it did in Western Europe.

All this is raising the question of whether the institutions imposed after the 1960 military revolution are still suitable. Also under challenge is what role should be played by Kemalism, the reformist philosophy evolved in the 1920s by Kemal Ataturk, leader of Turkey's war of independence against the British, the Greeks and others.

The immediate evidence is disquieting. Factional coalitions and minority governments have dominated the recent past. Parliament has been unable to produce legislation. Where the other institutions are concerned, checks are more evident than balances.

Necessary changes

One of the fundamental problems of modern Turkey is how a society whose majority is traditionalist can be persuaded to accept the changes necessary for it to compete in the twentieth century.

Ataturk's solution was to impose these reforms from above. Mr. Ecevit is heir to the Republican People's Party which Ataturk founded and, in his populist way, to some of Ataturk's methods. His achievement in the early 1970s was to extend the base of the RPP, welding a coalition of the intellectual elite, many civil servants and the poorer agricultural and industrial workers. His tragedy in government was his alienation of his followers.

Mr. Demirel's Justice Party is the heir to the conservative values of Anatolia. These are his origins and he is as sensitive to the mood of the smallholder as he is unable to grasp the realities of the factory floor. While liberal in economic terms, he is an old-style conservative, politically reflecting the extent to which Turkish politics is distorted by the keeping of the communist party underground rather than in the open where it can be seen.

That the two men should struggle with each other is unavoidable. That they should do this so bitterly is regrettable. For years Mr. Demirel seems to have feared being outflanked on his right by the national socialist Nationalist Action Party of Mr. Alparslan Turkes and the pro-Islamic National Salvation Party of Mr. Necmettin Erbakan.

Despite the general resurgence of Islam in the Middle East, the NSP seems unlikely to be a major force. But Mr. Turkes's activists are on the

rise, controlling whole areas of towns—and appearing too often in court to face murder charges.

Mr. Demirel's readiness to rely on the support of, and give posts to followers of the NAP has led to some disquieting consequences. Last month the centre of Ankara witnessed the extraordinary sight of the Ministry of Customs being stormed by right-wingers trying to displace those who had been working under Mr. Ecevit's Government.

Political stage

This is part of a wider problem—that of the undermining of state efficiency by the wholesale purging of the civil service and state machinery by each new government. The last month has seen the transfer or recall of the governors of each of Turkey's 67 provinces, the same treatment of 59 of the 67 provincial security chiefs, the sacking of 11 directors of the large state economic enterprises and even the replacement of the head of the State Theatre. But it is also true that to a large extent Mr. Ecevit did the same.

In his first 54 weeks in office he changed 3,700 civil servants in the top four grades—compared with the 4,300 changes made by Mr. Demirel in the two years he was last in office.

Mr. Ecevit is acutely critical of Mr. Demirel for turning to the NAP for support when he himself had held out an olive branch to Mr. Demirel. But, as a new departure, in the past ten days he has expressed willing-

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TURKEY II

Stronger links with the West

FOR THE first time in 20 years the NATO Ministerial Council will this May be meeting on Turkish soil. The invitation was issued by Mr. Süleyman Demirel, the Prime Minister, before the Soviet invasion of Afghanistan. It underlines the priority goals of his foreign policy—to sort out Turkey's problems with the West, which have accumulated over the years, and to reaffirm its place in the Alliance. If anything, Moscow's Afghanistan venture has stiffened his resolve.

For the past six years in general and the last two in particular, Turkish foreign and defence theory has been influenced by Mr. Bulent Ecevit, the charismatic main opposition leader and Prime Minister for nearly two years until he was succeeded by Mr. Demirel. Foreign policy was the natural domain of Mr. Ecevit, a former student of Dr. Henry Kissinger but not as expert as the former U.S. Secretary of State in "linkage".

In his long years in opposition he devoted a lot of thought to foreign and defence policies and put forward theories which were often more philosophical than practical and suffered from being not clearly defined.

Generally speaking, in foreign policy he advocated diversification. He maintained that Turkey was a Balkan and Middle East country and, while maintaining its ties with the West should concentrate on surrounding itself with a ring of friendship. Being underdeveloped, Turkey should nurture closer ties with the Third World—particularly the Arab States from which cheap oil and economic aid could be got and participate in the North-South dialogue.

Mr. Ecevit also believed that the Soviet Union, prospering under a stable leadership, no longer harboured aggressive designs and could not risk detente from which it stood to gain more than the U.S.

According to him, the West owed generous military and economic aid to Turkey because it was a democratic State and for the heavy burden it was obliged to carry for the defence of the West. But his "national defence concept" advocating vague self-reliance and a smaller army, never emerged from the philosophical plane. To this day not even Turkey's generals know what it entails.

Wide experience

Although basically a pro-West intellectual, Mr. Ecevit created a lot of confusion and suspicion in the West with his ideas,

which were exaggeratedly interpreted to be designed to impose on Turkey a neutralist foreign policy. It did not help that Mr. Ecevit was sometimes impulsive in his applications. Perhaps his greatest misfortune was that he was in power at a time when Turkey was at its weakest economically, rent with social disorder and lacking that vital leverage in foreign policy which comes from strength.

This was particularly conspicuous in his dealings with the West, when on the one hand he demanded substantial credits and investments and on the other threatened to "scale the wall" if these were not forthcoming. The West came forth in its own good time and under its own conditions, creating in Mr. Ecevit a still lingering sense of betrayal and bitterness.

Mr. Demirel's intention appears to be to clear the clouds. He is stoutly pro-West and vehemently anti-Communist, but pragmatic in his dealings with both camps. He does not bring what a Western diplomat has called Mr. Ecevit's "intellectual fascination" to the subject but has the benefit of experience which his predecessor lacked.

Turkey's domestic problems will claim so much of his time, so that foreign policy will generally play a secondary role. Turkish policy on such major issues as Greece and Cyprus will be a holding action (Vise-vis these two questions, which are dealt with extensively elsewhere in this survey, Mr. Demirel believes that Turkey cannot obtain concessions in its present state of weakness, which both Cyprus and Greece want to perpetuate if not desiring to exacerbate). There were not more than a couple of paragraphs in his minority government's programme on foreign policy.

The continuing convulsions in Iran and the Russian invasion of Afghanistan pose a direct threat to Turkey's own stability and integrity.

Ankara was almost sorry about the post-Shah developments in neighbouring Iran than the U.S. Turkey is keen that Iran remains an integral country outside the Soviet sphere and eventually attain stability. Secession by the Azerbaijanis and the Kurds in Iran could create great problems for Turkey, whose eastern regions, where between 5m and 7m Kurds live, are already in a state of deep unease. Ankara fears that if Iran disintegrates its new entities could fall under Soviet

influence and its own Kurds set up a joint front with Iranian and Iraqi Kurds to fight for independence.

The Soviet incursion into Afghanistan has been interpreted by the Turkish Government as showing that Moscow has no qualms about invading its Near East satellites, a fate which they fear could befall an Azerbaijan or Iranian Kurdistan.

It was no surprise, therefore, that soon after the invasion of Afghanistan, Ankara speeded up its negotiations with the U.S. on their new Defence Cooperation Agreement (DCA). The negotiations, begun under Mr. Ecevit, had been dragging on for nearly a year. They were concluded earlier this month when President Carter sent emissaries to Ankara empowered to take political decisions without consulting Washington.

The DCA is expected to open a new chapter in Turkish-American relations, which went steadily downhill after Turkey sent its army to Cyprus in 1974. Congress, prompted by the Greek lobby which the Cyprus war created, imposed an embargo on arms supplies to Turkey. Turkey retaliated by suspending the activities of its American bases, which are electronic in nature and spy on military activities in the Soviet Union and the Near East.

President Carter lifted the embargo in 1978 and the Turks allowed the bases to go on the

air again—but on a temporary basis pending the conclusion of a new defence treaty.

The new DCA is for five years and consists of a four-year agreement supplemented by three annexes on the rules under which the bases will operate. American military and economic aid and investment in Turkey's armaments industry. The Turks are expected to get around \$450m a year under the treaty.

Ankara is now hoping that the situation in Afghanistan will emphasise Turkey's strategic importance in the eyes of the West and focus the latter's attention on the weaknesses of Turkey's defences.

Turkish defence capability has been seriously weakened by the American embargo and the inability of the country to allocate large sums of cash for arms purchases. The Turkish arsenal is basically of World War II vintage with the exception of 80 Phantoms and a small number of new destroyers and submarines. With 500,000 men under arms, Turkey has the largest standing army in the region outside the USSR. But it is two generations behind NATO and behind the neighbouring countries including Syria, Iraq and even Bulgaria. Over the past year the army has also deployed large numbers of troops in the martial law provinces, where half the 45m population lives. It appears unlikely, however,

that these well-known facts and the situation in Afghanistan will lead to an American campaign such as the one from which Pakistan hopes to benefit—to reinforce Turkish defences. Experience has shown that such aid generally flows much too late. Even if there were proposals for such aid it might be blocked by the Greek lobby, which is still alive and kicking.

It is more than likely, in the circumstances, that barring the disintegration of Iran, the Turkish army's modernisation will have to wait for the normalisation of the Turkish economy.

Arab pressures

Under Mr. Demirel Turkey's ties with Arab States are expected to continue to improve. The slant in this respect will be economic since Turkey does not want to be embroiled in either the Middle East conflict or inter-Arab squabbles and has prudently resisted diverse Arab pressures to be drawn in. Ankara believes that Israel should withdraw from the Arab territories it occupies and Palestinians should be granted the right to form their own States. After years of vacillation Turkey in 1979 allowed the Palestinian Liberation Organisation to open an office in Ankara. But it will not go much further. Also under Mr. Demirel Turkey's links with the Third World and the distant countries of Africa, South America and

the Far East will continue to grow but—as in the past—slowly and without any drama.

For many years until the mid-1970s Turkish foreign policy was a subject on which there was more or less a national consensus. This is no longer so. Mr. Demirel can be said to represent the traditional pro-West line. Mr. Ecevit, who will no doubt in time reconcile himself between the philosophically exciting and practically feasible is for the multi-faceted foreign policy.

Other elements are added by other party leaders who represent smaller but none the less important segments of society. Professor Necmettin Erbakan, the pro-Islamic politician, is in favour of closer ties with Arab States and dreams of a common currency for the Islamic States. Mr. Alpaskan, Turkey's ultra Right Wing exponent embodies the ideal of uniting all Turks under one flag—something which arouses uneasy feelings throughout the region where Turkish or Turkic minorities proliferate.

Mr. Demirel's minority Government is supported by these two men and their views cannot be entirely disregarded. Similarly, changes of government will entail more changes in general foreign policy, although it may just be of style or emphasis, than was true before the mid-seventies.

Metin Mumuk

EEC: the hopes in Ankara

WHILE IN opposition Mr. Süleyman Demirel, the Turkish Prime Minister, once said that as soon as he came to power he would apply to the Common Market for full membership.

"The danger" that he may do so, as a Common Market official put it, "has not entirely receded from their minds."

So far, Mr. Demirel has sent Mr. Hayrettin Erkmen, his foreign minister, to Brussels and withdrawn the freeze imposed by his predecessor, Mr. Bulent Ecevit, on Turkey's obligations to the community of which it is an associate member. The upshot is that the Turkey-EEC Association Council is likely to meet during the course of this year to make a fresh attempt at appeasing Turkish grievances and normalising relations.

"We could have a fruitful year for the first time since 1976," when the crisis erupted, says a Community official, cautiously crossing his fingers. The Community appears to be favourably impressed by Mr. Demirel's attitude. The private enterprise politician, who is planning to effect an overall improvement in his country's relations with the West, has decided to seek a compromise with the Nine. In Brussels, Mr. Erkmen told the Community that his Government was prepared to solve the problems through negotiations and would prepare proposals.

This year he intends to make a serious effort to review our relations with the EEC in view of Turkey's development strategy and the problems it is encountering, with a view to improving these relations," said a Turkish official.

Mr. Demirel's approach is backed up by big business in Istanbul which went through a radical change of heart over the Community in the past two years. Seeing full membership or even close association with the Nine a threat to their dominance of the captive local market, Turkish industrialists were of two minds in their atti-

tude towards the Community. Many were hostile. However, the social and economic upheaval which started in 1977 appears to have led them to the conclusion that the EEC could be a useful anchor politically for Turkey and economically for themselves. They suggest a transition period of around 10 years.

However, the change of official and business attitude is by no means a guarantee that the Turkey-EEC problems will be any easier to solve.

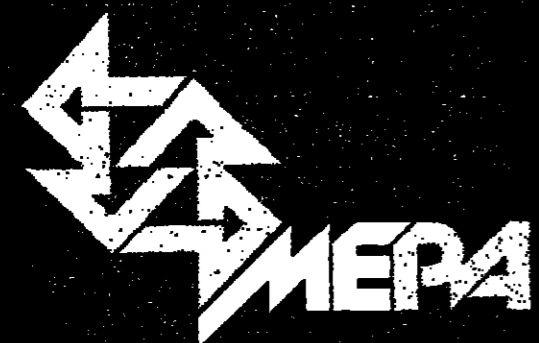
Mr. Demirel's 1980 programme of economic activity bluntly states that, in their present form, the Turkey-EEC agreements "are in contradiction with Turkey's industrialisation targets and the measures it is obliged to take to solve the problems in which it is in . . . from the start there has been an imbalance between the concessions that Turkey granted to the EEC and the concessions it got in exchange . . . Turkey-EEC relations must be given a new shape, eliminating the drawbacks of the current relationship."

Proposals and counterproposals have failed to bring about a mutually acceptable compromise on these grievances. On most points, the

Turks are justified either by their circumstances or, as in the case of the free circulation of workers, demand their treaty rights. The Community's justification in its own circumstances—growing unemployment, the vulnerability of their textile industries, the toughness of agriculture and the expansion of the EEC.

A Turkish demand for full membership, not economically feasible, could force the hand of the Community as it cannot be rejected outright and bring a new dimension to Turkish-EEC problems.

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A vital ally

CONTINUED FROM PAGE ONE

ness to form a coalition with Mr. Demirel and the two have met to discuss legislation to tackle terrorism.

It is a beginning—and one which has only happened because the armed forces have demanded it. Their warning to the political parties, issued three weeks ago, has evoked memories of how Mr. Demirel was forced out of office by a military ultimatum in 1971 and of how Adnan Menderes (whose political heir Mr. Demirel, to some extent, is) was overthrown by the military in 1960.

It seems that the Turks are still some way short of these two previous experiences. The armed forces, already involved in administering martial law, are generally believed not to seek a more prominent role on the political stage. For his part, Mr. Demirel has since gone far to showing that bridges between the military and the civilians are not broken.

In narrow political terms, Mr. Demirel's apparent aim is to survive until the Spring, by when he hopes to have the Sabri Caglayangil, one of his party's elder statesmen, elected as President of the Republic and by when the weather will allow fresh elections.

He needs elections soon. Last October he won a convincing 48 per cent of the vote but his

honeymoon could end stormily. His major immediate problem is the need to take fresh austerity measures as the IMF and Western banks require. He and his economics co-ordinator, Mr. Turgut Ozal, produced a successful package in 1970. Something similar is expected now.

In many ways he is luckier than Mr. Ecevit. The latter had finally won most of the traditionally xenophobic elements in his administration to accepting the needs for opening the long-closed Turkish economy. It had been a rugged battle but it has meant that there is likely to be less opposition to the changes that Mr. Demirel proposes—and the IMF and OECD want—than would otherwise have been the case.

But it can be asked whether this change will suffice to set the economy to rights. So far each time the Turks seem about to get on top of their problems a new rise in oil prices knocks their calculations off the table. All their export earnings go to buying the oil which keeps the country's power stations, factories and vehicles turning.

In this important sense its problems are those of numerous developing countries. Its lesson is a worrying one, that political uncertainty and massive debt re-schedulings, etc. liable to be brought on by these price rises. And that the West has no real mechanism to handle this.

New approach needed to solve economic crisis

TURKEY'S ECONOMIC problems are so dire that logic suggests that politicians of the two main parties set their dogmatic differences aside and work out a bipartisan approach. In this context alone, the demand by the armed forces' generals that there should be closer co-operation, are more pertinent than in any other sector except violence. If comfort is to be drawn from the protracted economic crisis, it is because it might provide the excuse for making a radical change in policies and for imposing a discipline which had been lacking before.

The problems themselves can be defined without difficulty. Their solutions depend on Mr. Süleyman Demirel, the Prime Minister, taking some acutely unpopular measures, which may in any case be virtually impossible for a minority government. The problems fall broadly into the following categories:

● An energy crisis which means, according to Central Bank estimates, that if exports are maximised this year at \$3.5bn they would, at best, only cover the import of crude oil and petroleum products. This highlights the chronic shortage of foreign exchange and the balance-of-payments deficit.

● The need to meet the requirements of the IMF, in particular those for a 40 per cent devaluation of the Turkish lira for credit control and for limiting the public sector deficit. The State Economic Enterprises (SEE) incurred deficits in 1978 amounting to TL 100bn (\$2.1bn).

● The need to reduce the heavy short-term debt burden.

● The low level of investment in industry. Officials at Koc, the largest private sector holding company in Turkey, say that in the last two years they have been unable to start a project of any reasonable size because of the uncertain political and economic atmosphere; also due to a shortage of foreign currency, insufficient working capital to offset inflation; and a shortage of materials.

● The lack of foreign investment. According to balance of payments figures, foreign investment has fallen from a mere \$154m in 1975 to \$47m in 1978. During the first seven months of 1979, it reached only \$15.4m.

● The parallel economy—whose foreign exchange dealings may be larger than those of the official economy—and the dilemma of whether to encourage it to integrate, or to leave it to operate with its current

effectiveness, but outside direct government control.

● The need to stimulate domestic producers to turn away from the export market in favour of home and activities abroad. So far, apart from textiles, only the construction industry with more than \$2bn work in hand in the Middle East has shown any such enterprise. All these make an appalling complex of problems. When Mr. Bulent Ecevit's Social Democrat Government took power in 1978 it found Turkey's resources had been squandered and the country was living beyond its means.

Foreign investment

But in an admittedly difficult situation, Mr. Ecevit lost a year before eventually coming to accept the harsh terms of the IMF. By the end of his time, he was preparing to impose a more liberal policy towards foreign investment on those of his officials who had not been converted to this. But it is Mr. Demirel who has issued the real promises in this direction.

Specifically, he has pledged to attract foreign oil companies to explore for oil in Turkey. Some prices have already been agreed for margarine and cooking oil by between 50 and 100 per cent and cement by 40 per cent, and more are promised, in particular petrol.

Above all, Mr. Demirel hopes to encourage exports, and to relax import restrictions to permit the prices of such basic products as iron and steel, cement, chemicals and petroleum—vital for a run-down industrial sector—to reach market levels.

The Demirel Government's more liberal approach would seem to be emphasised by the appointment of Mr. Turgut Ozal as under-secretary of the State Planning Organisation, and a key economic adviser. Mr. Ozal held this position from 1967 to 1971 when many foreign companies succeeded in forming joint ventures in Turkey.

The decline in Turkey's economy is clearly illustrated by the growth rate in the GDP. Between 1963 and 1978, the economy averaged a respectable annual growth rate of 8.9 per cent. But by 1977, the start of the current recession, it had fallen to 4 per cent. The following year it had fallen further to 2.7 per cent, and in 1979 it reached only 2.4 per cent, with agriculture growing by only 1.1 per cent and industry by 2.2 per cent. In the light of these figures this year's target of 8.2

per cent can only be described as somewhat optimistic.

Inflation has soared in recent years from a rate of 25 per cent in 1976 to 75 per cent in the final quarter of last year; the prospects of there being a slowdown in the short term must be unlikely. First, enforced price rises are bound to accelerate inflation, and this politically must be one of the riskiest of the IMF's demands for Mr. Demirel's government.

Second, it has been reported, the budget for the fiscal year 1980 (which begins on March 1) results in expenditure of TL 739.1bn (\$15.7bn) this will mark an increase of 82 per cent over the 1979 budget of TL 406bn (\$8.8bn) and further fuel inflation even though in dollar terms after the lira was devalued 45 per cent in June last year and further re-adjusted in December downwards against ten major currencies in a belated move to realign the lira's cross rates.

Third, this winter's round of wage negotiations involves many of the major 24-month contracts and will add further inflationary pressures. In May last year, the minimum wage was raised by 68 per cent to TL 5,400/month (\$116.4).

Although the balance of trade has been improving, the balance of payments generally continues to be burdened by debt servicing. This is despite some success in getting debts re-scheduled.

The trade balance has improved from the deficit in 1977 of \$4.04bn (composed of exports of \$1.76bn and imports of \$5.80bn) to \$2.31bn (exports \$2.28bn and imports of \$4.60bn). The IMF has calculated that the deficit last year would be about \$2.25bn in part due to exports reaching \$2.75bn as a result of export formalities being simplified and tax rebates on the export of manufactured goods. Many exporters appear to understate the value of exports so as to build up funds abroad.

Last summer, Tusiad, the Turkish Industrialists and Businessmen's Association underlined the problem of Turkey's balance of trade by calculating that Turkey's minimum import requirements at present are \$5bn, of which the chief components are oil, \$1.7bn; machinery \$0.9bn, and iron and steel \$0.67bn. This could be cut to \$3bn by increasing unused industrial capacity in industry and the SEE, by attracting increased workers' remittances and easing the import of essential goods through "a realistic foreign exchange policy."

But this calculation has been undermined by the rise in oil prices alone; the chances of the trade deficit being reduced remains highly remote.

Yet even without the trade deficit—and the current account deficit, which was reckoned to reach \$2.2bn last year and to rise further to \$2.5bn this, and despite the rescheduling of debts, the balance of payments will remain burdened by heavy debt servicing.

According to the IMF, total external debts in May, 1979, amounted to \$14.2bn of which short-term (including re-scheduled arrears and the use of fund credit) accounted for \$8.5bn. The debt service, \$1.37bn last year, and expected to rise to \$2.2bn this year, could eventually reach \$3.55bn in 1983. The IMF puts the financing gap for this year at \$1bn.

If there is an encouraging area in the balance of payments

it should have been workers' remittances. They reached a peak in 1974 of \$1.42bn but have since then declined to \$0.98bn in 1978.

Because of differences between the official exchange and the free market rate, a large proportion of workers' remittances has been transferred through unofficial channels. Tusiad calculates this at \$2.08bn between 1973 and 1978. However, remittances, officially recorded, have risen again, so that during the first eight months of 1979 they reached \$1.3bn (compared with \$0.53bn during the same period in the previous year).

These missing billions focus attention on two fundamental questions: given the dismal account of Turkey's economy during the last few years and its unpromising immediate future, how has it managed to keep going? The short answer

is because of the parallel economy.

Second, should or can this system be absorbed into the formal economy or left to function outside the legal parameters of the Government's writ?

This unofficial economy is no secret—and, because of its proportions, could not be. It has figured in negotiations between the IMF and the Turkish Government. The problem is that were it not in existence private sector operations, particularly in industry, would be at a much lower level than they are already. Most companies resort to "double financing" to provide imports, which might have totalled \$2bn in 1978.

The full proportions of the parallel economy cannot be, for obvious reasons, quantified. But on the basis of official and unofficial sources it is reasonable to estimate that "illegal"

imports could now be running as high as \$4bn a year, comprising mainly gold, industrial raw materials and arms. Remittances of workers, not passing through the banking system, probably equal official estimates, somewhere in the region of \$1.5bn. A similar sum is being earned through under-estimated exports of such items as food and sheep on the hoof (particularly to Syria).

What could be called loosely "services" under more formal nomenclature, probable gun-running and drug-trafficking, earns anything between \$0.6bn and \$1.5bn a year. Thus, unofficial earnings, even on conservative estimates, would amount to \$4bn, more than enough to cover the balance-of-payments deficit forecast for 1980. Yet it is almost inevitable that any attempt to "legalise" these activities would reduce their size and in some obvious

cases drive them further underground while industry could grind to a halt.

Turkey has been seeking, with only limited success, to be recognised as a Moslem developing country without oil resources and to be rewarded as such with concessional terms for buying the oil it requires. But Turkey's economic improvement lies perhaps in a more formal encouragement of the parallel economy coupled with the more predictable conclusions reached by the IMF that exports should be stimulated, that domestic economic policies should be tailored (specifically in the public sector) more closely to match demand at home, and that, above all, these policies, politically difficult at any time, should receive international support in the form of aid and concessions or debt repayments.

Anthony McDermott

EEC: the fears in Brussels

AS THE new decade begins, Turkey's often troubled relations with the European Community are once more at a crossroads posing delicate choices for both sides.

Ten years ago it seemed that the signing of the Additional Protocol to the 1963 Association Agreement promised important progress towards the goal of Turkey's involvement in a customs union with the EEC, and perhaps full membership of the Community. But recurrent economic and political instability in Turkey on the one hand, and recession, inflation and slow growth within the Community on the other frustrated most of those hopes.

Now it has been agreed that both parties must sit down again and recast a relationship which can lead to the rehabilitation and economic revitalisation of Turkey and the cementing of its political ties with Western Europe. But for the EEC the choices remain as difficult as ever.

At a time when Afghanistan has plunged East-West relations into an icy bath, the Nine are more anxious than ever to ensure an economically and politically stable Turkey made as immune as possible to Russian pressure of any kind. This has been a constant aim which, from the Western European point of view, underpinned the Ankara

Agreement of 1963.

In practice, however, the EEC has not been as consistently supportive on economic issues as it might have been, partly because the growing economic problems of its members have limited the accommodations which they might have felt able to make. At the same time, Turkey itself has not proved up to the job of modernising its economic and industrial structure sufficiently to meet its obligations under the Association agreement.

In essence this offered the prospect of ultimate free entry into the EEC of certain Turkish agricultural exports—to which were added in 1970 all Turkish industrial products except textiles and petroleum products.

But this Additional Protocol was not as balanced as both sides claimed at the time, since Turkey accepted the abolition of all of its tariff barriers within a given period while EEC concessions on agricultural products were restricted by fears of their impact on the Common Agricultural Policy. Moreover, the Community's response to a Turkish request for a loan of \$800m was an offer of only \$100m over five years.

Thereafter the association became bedevilled by Turkey's internal problems, the enlargement of EEC itself and the development of Community

arrangements with other Mediterranean States—a move which diminished Turkey's preferential status.

Finally, Greece's application for membership, which will become effective next January, has heightened Turkish fears about the outlook for its relations with the Community.

But under the new administration of Mr. Süleyman Demirel, anxieties about the impact of Greek membership on Turkish interests have produced in the past few weeks a policy switch of potentially great importance.

More concessions

In 1968 Mr. Demirel's predecessor, Mr. Bulent Ecevit, launched an initiative to breathe fresh life into Turkey-EEC relations on the basis of freeing for five years the tariff cutting obligations incumbent on Turkey. At the same time Turkey asked the EEC for more concessions for its agricultural exports and for a reduction of restrictions on imports of its textiles and refined petroleum products. Greatly increased financial aid was also requested totalling around \$8bn.

Diplomatic wheels have ground slowly over the last 15 months. No final agreement was reached on the basis of the EEC's offer to accept the suspension of tariff reductions for

a period of five years. Turkey's incentive to agree was gravely weakened by the EEC's parallel insistence that the dismantling of Community agricultural tariffs could only be revived after the five-year period was over and Turkey had resumed its obligation to eliminate barriers to EEC industrial products.

On the financial side the EEC was willing to offer special aid worth around \$100m. Mr. Demirel was clearly not happy about the outcome of his predecessor's initiative and last December his Government informed Brussels that Turkey was withdrawing its request for a five-year standstill on tariff dismantling. This has obviously removed the basis of the Community's proposals and the two sides will now have to negotiate new proposals during the coming months.

There is a view widely held in Brussels that the Demirel initiative could be the last chance for reviving the Association with Turkey short of a Turkish application for full membership. With Greece joining next year and negotiations under way on the membership of Spain and Portugal, the prospect of the addition of Turkey, with all of its economic and political problems, is not one likely to excite the Nine.

Nevertheless, the need to accommodate Turkey appears

greater than ever following the deterioration in its domestic problems and in East-West relations.

The timing, however, could hardly be worse, since in the next few months the EEC will be trying to grapple with the sensitive agricultural implications of the entry negotiations with Spain, France and Italy in particular are very nervous about the impact on their Mediterranean farmers of the participation of Spanish citrus and olive oil products in the Common Agricultural Policy. Turkey will be looking for greater access to the Nine for these and other products and so the European Commission is unlikely to be allowed much negotiating room for manoeuvre.

The situation appears even more delicate in the area of the free movement of labour, where West Germany, already host to a large contingent of Turkish guest workers, is anxious at least to maintain the status quo and is certainly not in favour of greater liberalisation as required by the Ankara accords. Finally, there is the question of financial aid and although Ankara would like more than the \$100m on offer, it is already undertaking to submit projects which the EEC could fund up to this amount.

John Wyles

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TURKEY IV

Struggle to service foreign debt



"TURKEY CAN borrow a little more. Currently, we owe \$12.5bn and can undertake to pay four times that amount. We will borrow, repay and Turkey will develop. If we cannot bear the inconvenience of debt, Turkey will develop after 3,559 years. Who wants that?"

—Mr. Suleyman Demirel, the Turkish Prime Minister.

ONE OF the favourite themes of Mr. Demirel, the Turkish Prime Minister is development through borrowing — "the whip," as he once put it, "which makes a brave man run faster."

The problem is that while making good economic sense for Turkey to borrow, the same is not true, at least for the time being, for lenders.

Heavy short-term borrowing in the two years preceding the crisis of 1977, subsequently coupled with a critical, oil-induced balance of payments position, has made Turkey one of the least credit-worthy countries in the world. It is, in fact, becoming clear to both Turkish officials and Turkey's creditors that Ankara may be unable to service its foreign debt despite the massive relief operations of the past two years.

The International Monetary Fund (IMF) and the Organisation of Economic Co-operation and Development (OECD) agree that Turkey's balance of

payments position will be extremely burdened by a heavy foreign debt service in the early 1980s.

The debt service will rise from \$1.87bn in 1979 to \$3.55bn in 1983, excluding debt relief.

Total cash payments after debt relief was \$1.1bn in 1978.

Debt service payments are expected to rise to \$1.96bn in 1980, according to the Government's balance of payments projection. This will put a continuing strain on the balance of payments, despite an expected 30 per cent rise in export revenues and a surge in expatriate workers' remittances and other invisibles. The IMF estimates that a financing gap of well over \$1bn will remain, even if imports are maintained at the 1979. The situation is grim.

As explained by Mr. Ismail Hakkı Aydinoglu, the Governor of the Central Bank,

in 1980 the ratio of export proceeds to be allocated to debt servicing will be 45 per cent. In 1982, it will be 65 per cent. Mr. Aydinoglu believes that the economy cannot manage more than a ratio of 20-25 per cent without severe strain, and that the Government should work towards this target.

The Turkish debt has brought about the biggest consolidation effort in history.

The first debt relief agreement was reached under the aegis of the OECD in May, 1978. It embraced \$1.14bn in arrears on guaranteed short-term commercial arrears and medium and long-term debts. A second re-scheduling of about the same order of the official bilateral and private guaranteed credits took place in July, 1978. A third major re-scheduling agreement was concluded with commercial banks to re-structure "convertible Turkish lira" deposits banker's credits and third party re-imbursement claims, totalling \$2.4bn. The

total amount re-scheduled is estimated by the world bank to be about \$6.2bn.

The restructuring was generally over seven years with varying high degrees of spread over LIBOR.

Some \$1.8bn in arrears to foreign suppliers not covered by export insurance agencies are still hanging in the air. This overhang of debt has been a major source of difficulties, as it has dried up the normally available export credit and forced Turkey to import largely on cash terms.

Diverse sources

Various options are being considered for consolidating this debt. But the Government is dragging its feet because it believes that most of this debt has already been repaid by Turkish importers through their external accounts.

Along with the debt restructuring operation the Government has obtained medium and long-term funds from relatively diverse sources.

The most important of these was pledged by OECD member-

states in May, 1979, and amounts to \$1.45bn (World Bank figure) in special assistance, involving mostly medium and long term bilateral credits, trade financing credits and programme loan commitments. Commercial banks arranged a \$407m medium-term facility.

A total of \$547m was secured in programme loans from Libya and Iraq, and for oil importing. An agreement was reached with the Saudi Development Fund for \$250m in project credit. Programme type agreements were made with Romania and the USSR.

A confidential World Bank report looking at Turkey's medium-term prospects concludes that Turkey's external debt problem will be "a major subject for policy concern, even in the medium-term."

The bank estimates that the total outstanding debt will increase from \$1.1bn in 1979 to \$19.8bn in 1985.

The very high gross capital requirements and levels of debt service ratio indicate that the balance of payments situation will continue to be difficult, not

to say impossible, in view of the crushing crude oil bill.

"Hence," states the World Bank report, "a major issue for medium-term debt policy is to what extent Turkey will be able to attract long-term funds, especially of a concessional type."

Medium-term private capital inflows, such as Euroloans, suppliers credits and possibly foreign investment, will be contingent more upon actual improvement in economic performance rather than upon promises thereof. Continued improvement in economic management, therefore, appears to be a precondition for the revival of these funds.

In view of these factors, says the report, the management of the external debt remains critical for medium-term financial viability and hence to the availability of imports needed to permit resumption of growth.

Of more immediate concern is the likelihood that Turkey's creditors may be confronted with a request for further debt rescheduling. Indeed, such a request was tried on M. Emile

van Lennep, the OECD secretary general, during his visit to Ankara, in early January, vis-a-vis debts rescheduled under the aegis of his organisation.

Ankara also told van Lennep that the debt relief must be supported with fresh loans if the Turkish economy were to hope to recover.

"Turkey needs help," said Mr. Turgut Ozal, Mr. Demirel's top economic advisor, "not continuing help. We want our friends to help us up. Then we can walk by ourselves."

Mr. Demirel himself appears to be undaunted by the seriousness of the situation and is looking forward to fresh credits with optimism.

"I believe," he said, reading his Government programme to Parliament, "that we can bring about a regular flow of the huge financial resources accumulated in the petroleum exporting countries and the international banks and place them at the disposal of our development."

M.M.

Key to industrial survival

EVERY FEW months or so since the beginning of the Turkish crisis in 1977, predictions have been made that industry would grind to a halt in a few months, owing to the shortage or total lack of imported items. Although industry has been (and is) grinding with painful audibility, production has not halted and is not likely to do so owing to the fact that, like the show, business, too, must go on, regardless of difficulties.

"If one looks at the economic indicators on paper, it seems that Turkey went bankrupt three years ago," says the prestigious Turkish Industrialists and Businessmen's Association (TUSIAD) of Istanbul. However, if one studies facts in Turkey, it will be surprising to find out that the economy is still moving, despite the fact that the Central Bank has not been able to transfer any foreign exchange for more than two years.

The reason, says TUSIAD, is that Turkish businessmen "have long been accustomed to living in a state of economic crisis." During every decade, Turkey "has seemed to be on the verge of economic collapse."

TUSIAD, which ought to know, states that while capacity utilisation is "quite low," total industrial production still covers domestic demand, while exports of manufactured goods actually increased in the past two years. Industrial exports went up from \$621m in 1978 to an estimated \$680m in 1979.

Industrial production, which went up by 2.7 per cent in 1978, grew by an estimated 10.4 per cent in 1979, when consumer goods output went up by 5.6 per cent, intermediary goods by 14.3 per cent, and investment goods by 16.2 per cent.

Part of the secret behind these figures lies in the existence of a "parallel economy," which is booming, while the "real economy," as it appears in the official statistics, seems on the verge of coming under an obituary column.

It is estimated that in 1976 alone the "trade volume" of the parallel market, which is of course highly illegal, amounted to more than \$4bn, and, unlike the accounts of the Central Bank, which showed a deficit of some \$3bn was in almost perfect balance, with



Mr. Sakir Sabanci and Mr. Rahmi Koc (right), industrial leaders of Turkey's formal economy. Mr. Sabanci is chairman of the huge Sabanci group; Mr. Koc is president of the executive committee of the Koc group.



imports estimated at \$2,060m and exports \$2,035m.

The wages and savings of Turkish workers in Europe constitute the biggest source of revenue for the parallel market. This is believed to amount to between \$1.5bn to \$2bn a year. Its inflow is regulated by the so-called "Tahtakale Central Bank" (Tahtakale means wooden castle and is the name of an Istanbul business district, adjoining the Golden Horn), which is run by about seven "bankers." Considerable sums accumulate abroad through such phenomena as under-invoicing of exports, smuggling across the border with Syria, Iraq and Iran, plus other earnings, such as commissions which are retained abroad.

There are also legal ways in which imports can be financed. The Central Bank has, from time to time, been able to afford to make transfers for the imports of private industry, although in small amounts. Exporters of industrial commodities are able to retain 50 per cent of their earnings from export proceeds for their import needs or for the needs of companies whose needs are greater than theirs. It is also possible to obtain Central Bank financing on the basis of firm export orders.

Apart from these, there are countless imaginative ways in which Turkish businessmen, whose resilience and acumen are remarkable, have been able to meet their import requirements, from barter to banking on long years of good and profit-

through which any community might allegedly pass, if the rules were right.

Bribery has become rife. Tax evasion already vast, has reached even greater proportions as illegally imported imports or their local purchase cannot be invoiced. Similarly, every parallel market dollar costs at least three times more than the official rate, fueling inflation which is creeping towards 100 per cent.

The Government will sooner or later have to repair the social damage of the crisis and incorporate the parallel market into the taxable economy, as turning a blind eye on dishonesty and crime of the proportions now prevalent, cannot be tolerated indefinitely. The proposal put forward by the IMF, OECD and the World Bank is to liberalise the economy and adopt a more realistic parity for the Turkish lira—something more easier said than done under Turkey's conditions. However, Mr. Demirel has promised to liberalise the Turkish economy. It remains to be seen how far he will go.

M.M.

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Disturbing increase in violence

THREE DEATH lists have just been found by the Turkish police. Two, prepared by the militant Left, included politicians, bank directors, businessmen and journalists. The third, prepared by the militant Right, contained professors, the head of the Istanbul Bar Association, policemen and a famous writer.

The organisations may agree on tactics, but there is an important difference between them: that while the Left-wing ones are justly persecuted, the Right-wingers have what can politely be called a degree of governmental acquiescence.

Mr. Suleyman Demirel gave an indication of his own thinking on the matter when he told a meeting of university rectors that, whereas the Communists were out to destroy the State, the Right-wing militants wanted to reinforce it. His view is hardly contested, but an awareness of it is crucial to understanding the gravity of the problem Turkey faces.

The mere numbers are disturbing. During the 22 months of the Ecevit government, 2,444 people lost their lives and nearly 10,000 people were injured in political violence. Since Mr. Demirel took over, the rate seems to have increased.

For five years the trend has been ever upwards in what seems a creeping civil war. The economy is wretched, unemployment high and many households having to survive the snow, without means of heating. But that violence is the country's main problem is the one point on which there seems a national consensus.

Antagonisms exist on several levels: between Right and Left; between the two main Islamic sects, the Sunnis and the Alevis (who correspond to Shi'ites); and between the Turks and the other races of Anatolia, the Lazs and the Kurds.

The tension has altered the whole tenor of life. Cafes divide politically. Restaurants and night clubs throughout Anatolia are closing as less and less people dare go out at night. Entire sections of towns have become closed to their opponents.

"The Right live in the streets above us and the Left below us: we are in the middle," one judge says of his suburb in Ankara. A journalist, such as the radical columnist Ugur Mumcu, of Cumhuriyet, will calmly slip his gun into his desk during an interview. Some professors say how they approach work each day from a different direction

or sleep each night in a different house. Many have received threats of death. With martial law in force and a gendarmerie guard on each bank and at each university, you might expect that some people would feel reassured. But there is little faith in the deeply politicised police sometimes assigned as bodyguards. Instead, there is an all-pervading fear of who will be struck next. So developed is this that one treats as commonplace stories such as that of a 15-year-old boy beaten up three times in the past three months by Right-wingers whose fellows killed his father a year ago.

Dislocated society

The explanations for this growth of violence are various. Some Turks would explain it by pointing to the dislocation of traditional society as villagers have flooded to the cities as barter has been overtaken by the market economy and as industrialisation has proceeded apace.

Others present the problem in traditional terms, arguing that underneath the veneer of parliamentary politics lies the solid wood of the tribe and that today's violence is the vendetta in modern dress.

Then there is the suggestion that the violence is the social reflection of the economic crisis, of the unemployment and the inflation.

But into all these strands can be woven a political thread. In the 1960s, the Left began to group after years of repression. Mr. Demirel, who was then Prime Minister, responded in part by using the State machinery, and in part by condoning squads of right-wing activists. To many, the present situation is that earlier one, writ large.

Few of the actors have clean hands. Left of Mr. Ecevit's party is to be found most brands of Marxist-based programme known to non-Turkish men, and a few additions as well. A recent survey by Aydinlik, the newspaper of the pro-Peking Turkish Workers' and Peasants' Party, listed 49 parties. Its series on various parties ran for 33 days before it was banned by the Istanbul Martial Law Commander, General Necdet Uruç. It later ran a series on 15 Kurdish groups. Most parties and groups are banned by a penal code, copied from Mussolini's system.

The parties range from pro-Moscow and pro-Peking ones to anarchist groups and others inspired by Ezzatollah Mehmeh. Some, such as TIP, the Turkish Workers' party, have always condemned and avoided violence. Others, such as MISP, the Marxist-Leninist Armed Propaganda Union, have claimed responsibility for killing Americans. The police have had some success in arresting members of a few of the smaller groups, with bank robberies, kidnapping and murder among their crimes.

On the right, the National Salvation Party has recently attracted attention. Its cultural centre was raided and a firing range found, as well as "an appeal of the Fighter Imam Khomeini. Rebel against Satanic forces and Americans!" However, the main force is UGD, the Islamist Youth Association otherwise known as the commandos, and its political ally, the Nationalist Action Party. It was in an UGD headquarters in Istanbul that the death list was found—as well as five guns and 15 sticks of dynamite. The number of UGD members arrested and sentenced for murder is striking.

One year ago Mr. Alparslan Turkes, head of the NAP, was quoted as telling a newspaper: "I support the commandos. We founded and trained them." The links between the two organisations are indicated by the way their offices are usually in the same building.

A recent affidavit read out in a military court describes the NAP's Deputy President, Mr. Sadi Somuncuoglu, as instructing NAP workers at the time of the Ecevit government: "You are going to help us by making chaos and unrest in your work places. Otherwise this Government will not fall. Whoever it is, shoot a Leftist in your factory." The workers duly obliged, even if the Leftist was wounded rather than killed.

Mr. Turkes recently wrote: "During the 22-month long Ecevit era, four city presidents, 300 members and over 1,100 supporters of the Nationalist Action Party have been murdered by Communist terrorists. Can you hold a person responsible for robbery if he tries to protect himself and his home against a robber who is trying to break into the house?"

Inevitably, the question of closing down the NAP has been raised. One public prosecutor

is on record as saying that he was one metre seventy centimetres tall and the files against the NAP were taller. But the Ecevit government, which surprised many people with how little it did against the NAP, believed that closing the party would achieve little. Mr. Ecevit himself says that if his party had talked more against the NAP it would have made the prosecutor's task more difficult.

One of the major problems for any government in Turkey is the inadequacy of the weapons it has at its disposal. Mr. Ecevit's government never seemed to have full control over the activities of MIT, the intelligence agency. It had to deal with a police force whose members were as divided as the left and right-wing militants they were meant to be apprehending. It also had to improve the training, technical quality, and equipment of the police.

Senator Hasan Fehmi Gunes, Mr. Ecevit's second Minister of Interior, went some way to improving this situation in the ten months he was in office.

And the Ecevit government prepared a number of bills to help them.

These Bills form the bulk of the package which Mr. Demirel is now trying to pass. This package now includes a Bill to reorganise the police, one to limit demonstrations and another to restrict the activities of Turkey's large associations of groups such as the teachers. But the Demirel Government also wants to introduce State security courts—special courts where the judges would be largely chosen by the Government, and where the rights of the defendants would be more limited.

It is strongly argued by liberals that many of these measures are dangerous and irrelevant. More important, they suggest, is to make existing laws work and to improve existing institutions.

There is much to support this argument—do not least the fact that 3,056 prisoners escaped from gaol in the past two years (including the man accused of the murder of the newspaper

editor, Abdi Ipekci), and that when the prominent defence lawyer, Mr. Halit Celik, visited his client in Ankara military prison, recently, the guards allowed him to be beaten up by Right-wing prisoners.

But, most important of all, is that the Government itself should be seen to be impartial. In the years 1975-77 Mr. Demirel had Mr. Turkes as his Deputy Prime Minister and allowed many NAP supporters to be appointed to the State machinery.

Now, Mr. Demirel relies on Mr. Turkes's deputies to support his minority Government—and, in turn, has again put some NAP men back in the ministries. It is a dangerous policy. In the short-term it allows Mr. Turkes to organise, and, in growing, to take votes from Mr. Demirel.

In the long term, it raises the question of how far Mr. Turkes will be able to go with the tactics outlined in a book he recommends to his followers, *Mein Kampf*.

D.T.



Military patrols are now a common sight in the streets of Istanbul, Ankara and all major towns of Turkey.

Smuggling is still big business

"GUN SMUGGLING is the twin brother of anarchy," according to Mr. Mustafa Gulcigil, the Minister of Interior—and both brothers are doing well. With its long, lonely and unpatrolled coastline and its remote mountain frontiers, Turkey is a smugglers' paradise. Its position in the Middle East makes it an important route, whether for the Kurds or the Turkic minority in Iran, or for the Turks themselves.

But it is a deadly trade, with profits from smuggling other countries' heroin being recycled to finance the purchase of guns. In the past 15 years, 45,000 rifles, 150,000 revolvers and 32m bullets have been seized by the Turkish authorities. This is only a fraction of the traffic.

Smuggling has long been big business in Turkey. Traders and industrialists know the price and the routes for bringing a TIR lorryload of undeclared goods through the customs, for having a bulldozer delivered to their door, or for switching a barrel of chemicals

in bond for a barrel of seawater which is then sent back; what used to be in the barrel is processed.

According to one Minister in the last government, since 1978 100,000 tons of processed steel—a commodity in short supply—had been brought into Turkey under the guise of scrap paper. In this context the nephew of the present Prime Minister has been sentenced for exporting plywood and allegedly claiming it was furniture and therefore entitled him to export rebates.

Gold, too, is smuggled in large quantities. Central Bank researchers in Western Europe show that 110 tonnes were sent to Turkey in 1977 and 88 tonnes in 1978. Such volumes give an order of magnitude not far from the \$400m estimates of yearly contraband in this metal made by TUSIAD, the Turkish Industrialists and Businessmen's Association.

These items have long taken over from cigarettes as the major smuggled goods. The customs machinery seems incapable of controlling the situa-

tion. The police are often little better. Last month, for instance, a security officer who was about to be posted to the Directorate of Narcotics was arrested with a gang which were alleged to have 40 kilos of heroin.

'Turkish Mafia'

Complicating this picture is the role of "the Turkish Mafia." This is no offshoot of its Italian counterpart, but a homegrown plant of considerable vigour. It made its money from distributing the base morphine and heroin (which long originated from the poppy fields of Anatolia), from gambling, night clubs and property. It also has long acted as the main body in the arms trade. Its members have names such as "Freckled Mustafa" and "Kurd Mehmet" and are largely from the Laz population which inhabits the Pontus Mountains above the Black Sea of the Kurds from Turkey's South East.

When one Mafia leader died, the son of an ex-President of Turkey sent a wreath and a

cabinet minister attended the funeral.

A former Minister of Interior has accused political parties, unions and professional associations of involvement in the arms trade.

Traditionally, the arms have been imported for two purposes: for rural use and for crime. In some provinces it has long been almost a proof of manhood to carry a gun. Vendettas, particularly in the South East, were frequent. But, on the whole, guns were not used in the cities. Now, in the past four years 10,411 revolvers have been seized by the police in 1,892 incidents. "We all want guns just for protection," one judge says.

The new elements are the extent of the trade and the degree to which the Turks are publicly demanding controls from the countries through which the guns pass. "Bulgaria is making a trade out of this," according to the present Minister of Interior. But Bulgaria, it seems, is only a transit point for guns from

Czechoslovakia and in particular Belgium, Italy and Spain.

Senator Hasan Fehmi Gunes, who was an effective Minister of Interior under Mr. Ecevit, puts the matter harder. He argues that it is not enough for arms factories unquestioningly to accept import licences from African countries but that, when making sales, they should check that the sale is genuine.

He names the Belgian Browning factory as a major source of the weapons in Turkey. He also objects to an alleged lack of attention paid by some Western chemical factories over raw materials used in morphine and heroin processing.

The Belgian Ambassador to Ankara has complained that offers of co-operation to prevent smuggling have received no answer from the Turks. But Senator Gunes does not seem impressed: "The West sees us as a country which exports narcotics," he says, "but we have a question or two to ask them about gun smuggling, a trade which is just as lethal."

D.T.

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TURKEY VI

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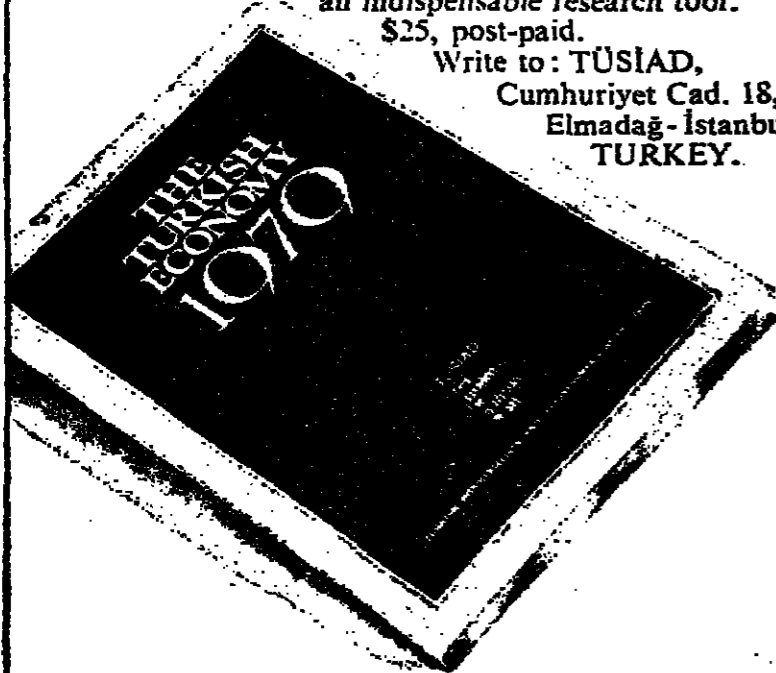
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AS FAR as Mr. Süleyman Demirel's Government is concerned, the Soviet invasion of Afghanistan has brought an end to East-West détente and constitutes an event fortuitous in the sense that it may open the eyes of the West to two important factors: Turkey's vulnerability vis-à-vis the Soviet Union and its neglect by its NATO allies.

This is the gist of the message imparted by Ankara to its allies after the Soviets marched into Afghanistan, establishing a buffer between two of Turkey's allies—Iran and Pakistan. The Turks had more to say. They had no cards in their hands to play in the West's bid to make the Russians sorry for what they had done—no technology, no capital goods, no grain to sell or export credits to open. On the contrary, the Turks were the recipients of Soviet credits and crude oil to the tune of about 1m tonnes a year. Furthermore, Turkey did not wish to irritate the Soviet Union, with which it shares the Black Sea and 300 miles of borders.

The thaw in Turkey's relations with the Soviet Union started about 13 years ago under Mr. Demirel. Over the years Russia became one of the biggest suppliers of project credits to Turkey. An oil refinery, iron and steel complex and an aluminium smelter are among projects completed with a \$1bn Soviet credit which the Turks are paying back in agricultural commodities. Last summer the Soviets agreed on projects requiring about \$4bn in foreign financing, including one of two nuclear power plants Turkey is planning to build. The Russians have also promised to assist the Turks in oil prospecting.

A joint dam is under construction on the border river of Arpaçay from which farmers on both sides of the heavily fortified border will benefit for irrigation. In eastern Turkey many towns are benefiting from electricity transmitted from across the border.

Despite some reluctance on the part of Turkey, the improvement in economic relations, egged on by the exchange of top-level visits, was reinforced at the insistence of the Soviets in the political field. In 1978 the two historic enemies signed a "political document on friendly relations and co-operation." The document did not go much beyond recounting the principles of the Helsinki Accord but is a potentially

powerful card up Moscow's sleeve.

Subsequently, detachments of the Soviet Navy paid a visit to Turkey and the Soviet Chief of Staff arrived, hinting that his country could sell arms to Ankara.

The improvement in Soviet-Turkish relations is a considerable success for Moscow, the reward of a consistent and prudent policy pursued over the past 15 years.

In sharp contrast to Stalin, whose territorial demands scared Turkey into NATO, and the erratic Khrushchev, the present leaders of the Kremlin tried to instil in Turkey a sense of security and assurance that the Turks had nothing to fear from Russia. The generous inflow of aid and Turkey's improvement of relations with the Comcon countries was a part of this strategy. The Kremlin was obviously to woo Turkey away from NATO and create a domestic atmosphere under which Left-wing currents in Turkey gained strength, accelerating this process.

Moscow has a growing number of supporters in Turkey which add up to a powerful Soviet lobby in NATO-member Turkey.

The sizeable extreme Left-

wing minority in Mr. Bulent Ecevit's Social Democratic Republican Party, the main opposition is pro-Moscow. DISK, the powerful Revolutionary Workers Confederation, is sometimes dominated by its pro-Moscow faction, as is the Teachers' Organisation TOBİDER. Several of the small extreme Left-wing parties not represented in Parliament pay allegiance to Moscow, whose influence is quite considerable among many student and professional organisations, influential professors, journalists, writers and bureau-

Kurdish nationalist. As in all countries there may also be and are various ethnic groups in Turkey. But the Turkish people are a whole, we reject any ethnic distinctions as a dividing element within the integral whole.

There was a time when the Kurds were recognised as having a separate ethnic identity in Turkey. Indeed the 1920 Treaty of Sevres offered the Kurds a chance of independence, but what had been concluded with the Sultanate was thrown out of the window by Kemal Atatürk, and since then there has been a consistent policy of Turkification.

Even so, Mr. İsmet İnönü, then Turkey's chief delegate to the Lausanne Conference in 1923, was able to remark: "The government of the Great National Assembly of Turkey is that of the Kurds as much as that of the Turks." He went on: "For centuries the Kurds and the Turks have been parts of a united whole. In the World War as well as in the liberation war, the Kurds fought to their utmost." Their ironical reward has been to be known derisively as "mountain Turks" and to be neglected and suppressed as their fellow communities in neighbouring countries—mainly Iraq, Iran and Syria.

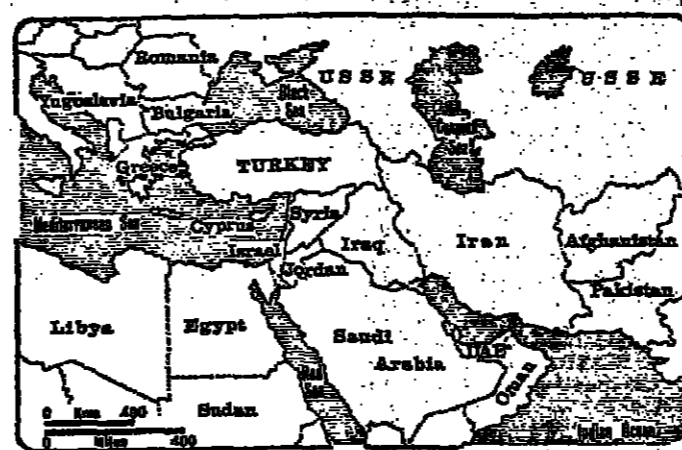
Mr. Nihat Eriz, then Prime Minister, in May 1971 summed up the official attitude: "We accept no other nation as living in Turkey, only the Turks. As we see it there is only one nation in Turkey: the Turkish nation. All citizens living in different parts of the country are content to be Turkish." He dismissed the Kurdish language as "a mixture of Persian, Turkish and Arabic, with only 3,000 complete Kurdish words."

For some time 16 of the 18 predominantly Kurdish provinces in eastern Turkey have been under martial law, in an area which stretches from Gaziantep in the west up to Kars in the north-east and shares borders with the Soviet Union, Syria, Iraq and Iran.

Fuelled

The militant opposition which Kurdish groups are conducting against the government draws its strength from Kurdish nationalism, but is also fuelled by Turkey's economic problems. While the latter feature may have helped to radicalise the revolt, within the Kurdish ranks there is longstanding tribal feuding. The struggle has been further sharpened by an influx of arms over the last three years, a factor probably linked to Kurdish contacts with the Turkish Mafia, which is itself deeply involved in arms smuggling.

The Kurds in Turkey have also been affected by Ayatollah Khomeini's drive against their counterparts in Iran. Last autumn Turkish newspapers were reporting the recruitment of as many as 5,000 Kurds by underground Marxist organisations to help fight there. They reported, too, Turkish Government efforts to control the movement of Kurds into Iran. There have been signs also of self-assertion in public life. Last August two Kurdish deputies, Mr. İskan Azızoğlu and Mr. Nurettin Yılmaz, threatened to withdraw support from Mr. Bulent Ecevit, who was at the time Prime Minister, unless Khomeini was denounced. Earlier in the spring, Mr. Serrefettin Elçi, the Minister of Public Works and a Kurd, by saying "There are Kurds in Turkey and I am a Kurd," had provoked Mr. Ecevit to retort: "Elçi was not saying he is a



Most of the Kurdish underground organisations and a sizeable number of the proliferating Turkish terrorist factions are loyal to Russia and some probably receive aid from it. All of these constitute a great step forward for the Soviet Union in a country which only two decades ago was among the most stoutly anti-Communist in the world, and where people could be arrested for ordering Russian salad! "But I am anti-Communist," protested a Turkish intellectual—in one of

Nagging problem of the Kurds

Tensions

The Kurds in Turkey, as elsewhere, pose a classical dilemma for the central government. On the one hand Ankara feels ill at ease about the loyalty of these people, largely Sunni Muslims, who at about 7m constitute about a sixth of the population and the largest Kurdish community anywhere. When a country passes, as Turkey is, through a period of severe economic and social strain, these tensions are inevitably exacerbated. On the other hand the central government should feel obliged, as Iraq has, to make some gestures to acknowledge the special identity of this minority in such a way as to keep it within the State.

The Turkish Government has on the whole taken harsh military and legal measures against the Kurds. Their fate at the hands of Atatürk paralleled closely that of the Islamic clergy, for both were seen as a source of co-ordinated political opposition.

It is no coincidence that the first major revolt was led by the Kurdish Sheikh Said of Pahi, the hereditary chief of the Yekşehirdi, in 1930 and 1937, and subsequently, in the early 1970s in particular. However, there are probably three main reasons why the resurgence of Kurdish nationalism is in the end not likely to lead to a separate State being formed. First, as has been shown, any government will take extreme measures to prevent this happening. On the day Mr. Demirel came to office in November the martial law commanders launched a 10-day security operation in south-east Turkey aimed mainly at Left-wing revolutionaries, in particular the radical Apocis. During Mr. Ecevit's Government the Kurds had been handled with a slightly more "smiling face."

Secondly, it is hard to see how the Kurds themselves could be entirely successful in pressing for a separate State because of disunity within their ranks. Thirdly, most countries in the region traditionally co-operate against the Kurds. Last April there were significant reports that Turkey and Iraq—fearful of a spread of Kurdish nationalism—agreed to co-operate in operations against the Kurds in their border regions.

There is no disputing the severity with which Turkish law has dealt with the Kurds. Since 1924 the use of the Kurdish language has been prohibited, and even in August 1971 the singing of a Kurdish folksong and the possession of a record of it was used as the basis of a prosecution. The wearing of Kurdish national dress is banned, as is the publication of anything in Kurdish or teaching in that language. It is thus not surprising that the feeling is rife as one Kurd put it, that "the Kurds are colonised by the Turkish people."

The Kurds, in addition to their nationalism, have sound reasons for anger at being neglected by the central government. Their eighteen provinces, which include some 20,000

th well-known 1930 anecdotes—at the police station. "I don't care what sort of a Communist you are," snarled back the policeman.

In retrospect it appears that Mr. Demirel took his cautious but unmistakable steps towards rapprochement with the Soviet Union, with misgivings, and under pressure of circumstances. He, like many Turks, was forming the opinion that the US, making its separate peace with the Soviet Union, could well leave Turkey on its own in the event of a possible Soviet invasion. Again like many Turks, he reluctantly grew "disenchanted with the West for the continual convulsions—many of which continue—which disrupted Ankara's relations with its allies."

The American arms embargo, which followed the Cyprus war of 1974, the indifference of NATO and the Common Market to Turkish demands, and finally the West's reluctance to bail Turkey out of its worst economic crisis heightened general distrust of and disappointment with the West. The feeling grew that détente had diminished the importance of Turkey in the eyes of the West. The logical conclusion was that Turkey should make its peace with its northern neighbour and avoid being a target in a nuclear shoot-out.

The extent to which events in Afghanistan will change the

West's attitude to Turkey and Turkey's attitude towards the Soviet Union is impossible to assess at this moment.

Certainly many Turks are worried that what happened to Afghanistan may happen to them too. They are also deeply anxious that Iran may disintegrate, with the Kurds and the Azerbaijanis seceding to become Soviet satellites, creating dangers for Turkey's own integrity through the presence of the large Kurdish minority in eastern Turkey.

Buffer

These fears are somewhat appraised by the fact that in the last resort Turkey, commanding the strategic Bosphorus gateway between the Black Sea and the Mediterranean, and a buffer between the Soviet Union and the Arab oilfields, may be strategically too important for the West to relinquish. Strengthened once more too are the hopes that the West may be more forthcoming with military and economic assistance to halt Turkey's slow slide into decline.

Mr. Demirel summed up the balancing required when he said in an interview: "I am trying to draw a line. It is a very delicate line. We don't want to create any problems that would irritate the Soviet Union."

M.M.



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TURKEY VII

Uneasy exchanges with Greece

THE GREEKS and Greek Cypriots never had any faith in Mr. Ecevit. But if they are expecting any major policy changes from the Government of Mr. Suleyman Demirel they are likely to be disappointed.

The Government programme lays it out clearly. The problems with Greece are "none of Turkey's doing". The Government will not relinquish its rights to the Aegean continental shelf, cannot remain indifferent to Greece's fortification of the islands lining Turkey's coast, and is most sensitive about "the acts of aggression against the Turks of Western Thrace". Mr. Hayrettin Erkmen, the new Foreign Minister, is adamant: "Neither now nor in the future will we have concessions to make."

The Aegean dispute has the EEC anxious and NATO at its wits' ends. It continues to set two Alliance members against each other. It is preventing the reintegration of Greece into the military wing of the Alliance. Along with Cyprus, it is affecting the future of Western bases in the area.

In Greece the domestic reper-

cussions of the Aegean affair are indirectly threatening the future of U.S. bases in that country—just as the four-year U.S. arms embargo over Cyprus once led to the long closure of the U.S. bases in Turkey. Now Britain too is beginning to feel awkward.

President Spyros Kyprianou of Cyprus is shortly to visit London and repeat his Government's demands for compensation for services to the two British sovereign bases on the island: he is asking for about £75m to cover the past 15 years. Furthermore, he has been backing UN resolutions which now call not merely for the "demilitarisation of the Republic of Cyprus" (which would exclude the sovereign base areas) but for the "demilitarisation of Cyprus" (and thus would also have British troops off the island).

Taking the problems, one by one:

CYPRUS
President Carter's ability to persuade the U.S. Congress to lift the arms embargo in August, 1978, reflected the impetus

which Mr. Ecevit had seemed to impart that year to attempts to solve the dispute. Matters then lagged until May, 1979, when the leaders of the two Cypriot communities, Mr. Kyprianou and Mr. Rauf Denktaş, agreed on a 10-point programme. But within weeks they were again at odds.

For seven months now they have been arguing over the Turkish side's demands that the new State should be a bizonal as well as a bicommunal federation. This would imply virtual partition and probably little chance of a return to their homes for one-third of the island's population who became refugees in 1974, with the partial but important exception of the Greek Cypriots who used to live in Varosha (old Famagusta). The Turkish side sees all this as essential for the security of its community and insists that on several important occasions the Greek Cypriots accepted this. But the Greek Cypriots say that bizonality and bicommunality are not included in the May, 1979, guidelines and demand that a tighter federation should be established.

Both sides pay lip service to continuing the intercommunal talks but neither shows much real enthusiasm. Mr. Denktaş has hinted that he might be pushed towards declaring northern Cyprus and its 120,000 Turkish Cypriots (and 18,000-20,000 Turkish troops) as an independent State. But Ankara is unlikely to allow this. It has long opposed final partition of the island, fearing that this would lead to the Greek Cypriots feeling free to allow Greek forces on southern Cyprus, thus extending the Greek encirclement of Turkey's coast. But continuing attacks on the Turkish side in international fora have caused the Turks to say they are being driven to declare independence.

There has long been a tradition of half the year being spent in feuding over the intercommunal talks and half being spent waiting for or reacting to whatever the Greek Cypriots could achieve at international forums such as the UN. This autumn the UN General Assembly gave the Secretary General until March 31 to report on progress and in its absence allowed the President of the General Assembly to seek to create an international committee to handle Cyprus.

For the Greek Cypriots this was a major step towards the possible introduction of sanctions against Turkey. For the Turkish side it was unwelcome, in part because it seemed one more reason why the intercommunal talks would not succeed.

THE AEGEAN

Few Western countries can see a method of cutting this Gordian knot. Yet worse, however, is the nexus of problems in the Aegean. These involve the seabed, territorial waters and airspace, as well as who should exercise civilian and military control over sea and air. The consequences of these differences include Greece's closure of Aegean airspace, the continuing suspension of inputs from Greece to the NATO early warning system and failure to agree on the terms under which Greece can return to the military wing of NATO from which it withdrew in August 1974. This last point is important in that while the Government of Mr. Constantine Karamanlis is keen to mend Greece's defence links with the West, the opposition led by Mr. Andreas Papandreu

is strongly against NATO.

The heart of the problem is an issue of confidence. Greece fears that to allow the smallest zone of Turkish economic or political influence between its outlying islands and the Greek mainland could lead to the isolation and perhaps eventual loss of the islands. It seizes on the wider utterances of Turkish politicians, just as Ankara used to react to Greek talk of the Aegean as a "Greek lake."

For its part Turkey fears that Greece might use the islands to try and cut it off from the outside world and is using the islands in ways it should not—by fortifying some of them against international treaties and by using ownership of them to make inequitable claims on the continental shelf. The geologists view that it is unlikely there are great quantities of oil at stake has long become virtually irrelevant beside the wider issues raised.

The Turkish Government has decided to continue the dialogue between the Secretaries General of the two countries' Foreign Ministries, even if Mr. Erkmen says of this that it is for Ministers and not for Secretaries General to make any accord.

The next such meeting is due shortly, in Ankara. The continental shelf, the airspace and a possible political document are being treated as inter-related subjects on all of which joint agreement must be reached. On the continental shelf matters are to some extent going Turkey's way. The International Court of Justice decided in December 1978 that it had no jurisdiction on the matter. More important, at the present Law of the Sea Conference the interim composite negotiating text is less favourable to Greece than were the 1958 Law of the Sea conventions.

The Turks say that they would prefer to co-operate with Greece on sharing the resources of the sea but will agree first to delimit the Aegean if necessary. They are adamant, however, that if Greece were to extend its territorial waters from six to 12 miles as the Greeks argue this would be virtually a cause for war. Such a move would increase Greece's share of the Aegean from 35 to 64 per cent but more crucially would almost throttle Turkey's access to international waters.

Equally contentious is the airspace, with problems of security

for both sides and Turkish objections to the fact that Greece has established some control zones which are seen as "unique in the history of mankind"; some "curious" domestic air corridors, including "Whiskey 14" which runs down the Turkish coast from Kavala to Cos; some training areas in international airspace; and a national airspace larger than its territorial waters.

Draft texts exist of a political document covering co-operation and friendly relations but for the time being it is hard to see this being signed, particularly given the bitterness which Mr. Karamanlis feels over Turkey's reactions to his proposals for Greece's return to NATO's military fold.

NATO

What has happened is that while the Turks are on record as wishing the early return of Greece they are also insisting that before this can happen agreement must be reached on the division of command and control in the Aegean. Turkish objections to this division existed even before 1974. The tensions between Greece and Turkey have made it more important that these differences be resolved in a spirit of co-operation.

Before 1974 Greece had naval responsibility for the Aegean and Ionian Seas and Turkey for the Black Sea and Eastern Mediterranean. In the air the Greeks dealt with all air space west of the median line between the Greek and Turkish mainland and the Turks with all east of this line—though in 1964 Greece announced that it was pushing that line to the east of its Aegean islands. All these arrangements were accepted by the Military Committee but in a strict sense were de facto in that they had never been approved by the NATO Council. Turkey had long objected to the naval arrangements.

The Greeks insist that the pre-1974 arrangements should be recognised as legal or as an interim arrangement which could be renegotiated once Greece is fully back in the Alliance. But the Turks have now been dealt the power of veto by the Greeks—and are prepared to use it.

Their view is simple. They do not believe that a problem which could not be solved in five years will easily be solved once Greece is back in the



Alliance. They are not prepared formally to recognise claims and interim military arrangements which they had not previously recognised, particularly when in their view Greece seems to them to use these arrangements to further other claims in the Aegean. In addition, they point out that the Izmir command post, Land South East, is no longer commanded by a U.S. general with operational command of both the Greek and Turkish forces.

Instead, Izmir has changed function so that it is now under a Turkish general and has operational command only of Turkish forces. However, the parallel post proposed by the Greeks would be different in that while the Turks have delegated command and control of their forces to NATO the Greeks have delegated command but wish to keep operational control. The Greek proposals for return would thus in some senses give them greater rights than they had before 1974.

NATO's attempts to solve this problem have raised the hackles of both officials and the public in Greece. For a sea with 2,316 islands the suggestion that each country should control its national airspace and that control over international airspace should be co-ordinated through Naples is seen as hopelessly impractical. Nor are the Greeks happy at NATO suggestions that

they should reduce their national airspace limits from 10 to six miles beyond islands. The Greeks also have reservations that naval matters could be resolved by introducing task forces—groups of ships from different countries under the command of senior officers, who could be Turks.

General Bernard Rogers, Supreme Allied Commander Europe, has so far failed—like his predecessor, General Alexander Haig—to bridge the gap. All in all it is something of a can of worms. Cyprus and years of detente have caused the two putative allies to be much more worried about each other than about threats from the north.

It is possible that Afghanistan might change this and, two weeks ago, General Rogers for the first time expressed optimism about the chances of what he called "a good solution."

The appointment of a new Greek Chief of Staff and the advent to power of a fresh government in Ankara mean that at least some of the actors in this drama are fresh. Nonetheless, the Aegean remains a problem. Conflicting perceptions of national security—and, in Greece's case, pride coupled with fear of a linguistic opposition—dominate. But tension is less acute than three years ago and, for the moment at least, hostilities are hard to imagine.

D.T.

Kurds

CONTINUED FROM PREVIOUS PAGE

is growing too, because investors and the educated youth have moved westwards where the opportunities are far more abundant. This helps to account for the fact that 30 per cent of the arable land in the east is owned by absentee landlords.

Politically there has been a liberation of parties and organisations all with the ultimate aim of wanting to make a fully independent Kurdistan. Out of a total of about three are registered as associations and the rest are underground. The associations are regarded as long as separatism is not advertised. The first is the "KURDISTAN (the Anti-Colonialist Democratic Culture Organisation)", which has many branches in the Kurdish provinces.

The other two are the DHKD (The People's Revolutionary Culture Association), and the DHKD (The Eastern Revolutionary Culture Association), which was formed to counter

cultural repression. In 1971 it was banned for a period as a result of the preparation of reports on military oppression and torture, and after mounting campaigns against illiteracy. These two follow approximately the same pro-Moscow political line, and in arguing for a Kurdish State see it as part of a broader proletarian revolution, as a result of which the Kurdish people would attain "cultural autonomy."

The underground movements—nearly all Leftist in political thinking—have been identified as Rizgari, meaning liberation in Kurdish, Kawa, named after a legendary Kurdish hero, and the KUK (Liberation of the Kurdish Nation). In addition, there is the Kurdish Democratic Party (KDP), set up illegally in 1967 and with links with KDPs in other countries. The KDP was allied to the Turkish Labour Party, which was closed in July 1971 by the Constitutional Court for adopting a resolution on the demo-

cratic rights of the Kurds.

But the organisation which is drawing the greatest attention is the Apocus. It was established in 1975 and was so called after Apollon Ocalan, known as "Apo" or uncle. It bases its drive for Kurdish independence on armed struggle. The city of Diyarbakir is not only considered by Kurds as the political capital of "Kurdistan" but is also the site of a sensitive U.S. electronic surveillance complex for tracking Soviet missile launches from test sites. More than 150 people have died in one town in the last six months.

It is clear that the Turkish Government is at present in no position to begin to satisfy Kurdish political and economic demands. Nevertheless, it does seem able to contain this situation and the chances of the Kurds obtaining some real autonomy are remote unless the unlikely occurs—total disorder on the scale of events in Iran.

Anthony McDermott

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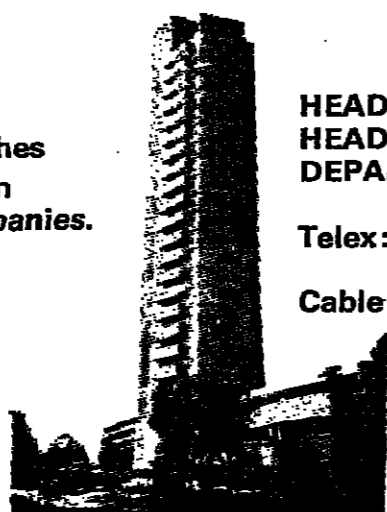
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TURKEY VIII

Islamic nation held by a secular framework

AFTER Ayatollah Khomeini's overthrow of the Shah of Iran, and the continuing unrest, both there and in other Moslem States, it has become fashionable to attempt to spot the next country to experience the convulsions of a resurgent and militant Islam.

Turkey, where 98 per cent of its population are followers of Islam, would appear to be a ripe candidate. The warning by the leaders of the armed forces to the politicians to work more constructively together might suggest that the democratic system is breaking down.

The economy has deteriorated seriously — leaving millions in winter without heat or light. There has been social dislocation through the familiar pattern of people leaving the countryside for the cities — only to find unemployment or to join shanty-towns.

Atatürk made it a priority to bring the clergy under government control. These factors elsewhere should result in people turning to Islam as a relief and for guidance, with the subsequent risk that this could become an emotional and political force beyond the control of parties, or even the armed forces. In Turkey, it has not, and remains unlikely to do so.

The main responsibility for this lies with Atatürk, the founder of modern Turkey. Between 1924 and 1928, he laid the foundations for the constitutional secularisation of Turkey in an uncompromising and extensive way. To many, it was not "secularisation" as much as the irreligious suppression of Islam.

Confront

Atatürk, recognising, in fact, the political power of religion, decided first to confront and disestablish it, both on the more formal levels and where it found popular and mystical expression through the dervish orders, and then ultimately to attempt to "bureaucratise" Islam. "Secularism" was, in fact, one of what is known as the Six Arrows of Kemalism.

There were foreign political considerations which Atatürk had to take into account. The abolition of the Caliphate in 1924 symbolised his desire that Turkey should divest itself of the Ottoman Empire, and once this had been done the religious powers and symbolism of that position had logically to be transferred elsewhere.

He believed, too, that the West could only be met on equal terms eventually with the deep westernisation of Turkey. He was mindful also that Britain and France were able in the Arab world to exploit Islam for their own imperial ends. As a result, he wanted Turkey's religion at home to be as near as possible under central control.

The assault was comprehensive. The abolition of the Caliphate was followed by that of the *Seriat*, Holy Law, replaced in 1926 by a civil code adapted from the Swiss version.

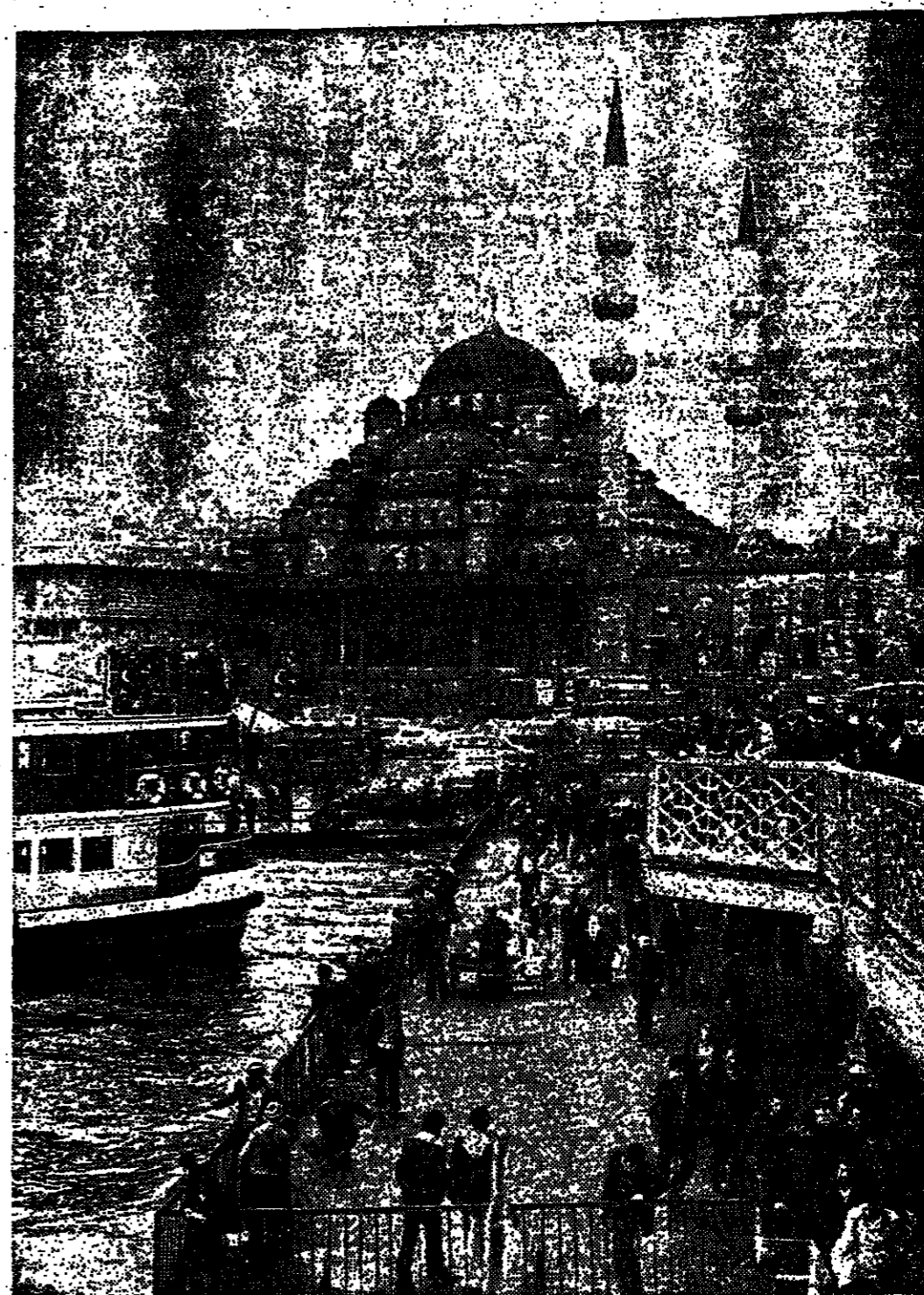
The *rufi* or pious endowments were nationalised. The Arabic script was romanised, thereby controversially breaking a link with the sanctity of the Koran's script. The Gregorian calendar was adopted. The wearing of the *fez* was abolished. The whole religious hierarchy from the conduct of services to religious education was brought under the control of the State. In April, 1928, the clause "the religion of the Turkish State is Islam" was removed from the 1924 constitution, and today the republic is characterised as "secular". The principle of upholding secularism has been enshrined in law.

Indeed, the National Order Party, a pro-Islamic organisation founded in 1970 by Professor Necmettin Erbakan and the forerunner of the present National Salvation Party (NSP), was the following year banned by the Constitutional Court for "anti-secular" activities.

Doctrines

The semi-secret and mystical *tarikats* or brotherhoods—the Mevlevi, Nakshibendi, and Bektashi—did not escape Atatürk's attentions. These brotherhoods, as elsewhere in the Islamic world, provided a valuable and popular outlet for people when orthodox Islam appeared too rigid or deficient in leadership. Their doctrines varied between being close to orthodox Sunni Islam and containing traits of unorthodox Shi'ite Islam, Christianity and residual paganism. They draw their support from differing urban and rural parts of Turkey. In November, 1925, laws were passed aimed at dissolving the *tarikats*; they were banned and their schools, meeting places (the *tekkes*) and shrines closed. Their assets were impounded and their ceremonies prohibited.

In the short term, one of the effects of these measures was to strengthen popular Islam which carried on in sub rosa fashion. But, by and large, this legal surgery has been largely successful in neutralising Islam as a political force today. This has been helped by the fact that, whatever its weaknesses, Turkey's multi-party political system provides an outlet which



Around 98 per cent of the population of Turkey are followers of Islam. Above: the new mosque at Eminönü and the Galata Bridge, Istanbul

is exceptional among other predominantly Moslem countries. This is further underlined by the Islam-orientated NSP's comparatively weak showing in the 1973 and 1977 elections, where it obtained, respectively, 11.8 per cent and 8.5 per cent of the votes.

What has undoubtedly changed little over the years is the general level of piety. About two-thirds of Turkey's Moslems are Sunnis, the orthodox sect of Islam, and the rest are mainly Alevis of the unorthodox Shi'ite sect.

Shi'ism is the predominant sect in neighbouring Iran. In general, while the Alevis have preserved more of the purely Turkish folk literature and music and have also been more receptive to some aspects of Shamanism, the original religion of central Asian tribes, the Sunnis have been more open to the artistic and linguistic influences of other Islamic countries.

At the same time, the two sects are politically and economically divided. The Sunnis have long been dominant in economic and political terms, and have tended towards conservatism. The Alevis, generally poorer and often dispossessed, have been more open to radical ideas. Put simply, the two sects used to divide between the Justice Party of Mr. Süleyman Demirel and the Republican People's Party of Mr. Bulent Ecevit.

But in the past two years propaganda, particularly by the right-wing Nationalist Action Party, has led to increasing tension between the sects. This tension has now become so severe that there have been frequent clashes. The worst of these was in December 1978, when more than 100 people were killed in Kahramanmaraş, in south eastern Turkey, causing martial law to be introduced.

What is happening is that Islam's profile in Turkey is now slightly higher than before. This is a feature which has run in cycles. At the beginning of 1949, for example, religious education was re-introduced into schools and it was permissible again to make the call to prayer in Arabic, after a 17-year ban.

During the following decade, which coincided with the domination of the Democratic Party, (dissolved by the Military in 1960 and an antecedent of today's Justice Party), attendance in the mosques rose, and more beards and berets (a means of evading the ban on religious clothing) were to be seen in the streets.

Today, such similar phenomena are visible, and religious festivals are regularly shown on television. Politicians pay conscious lip-service to Islam while canvassing for elections.

Between 1963 and 1977, the number of religious schools rose seven-fold—from 45 to 320; the number of students 12-fold from 9,284 to 111,741; and the number of religious teachers eight-fold from 484 to 3,952. Much of

this can be attributed to the NSP which participated in several coalitions between 1974 and 1978.

While the mevlavis are permitted to perform their traditional dance in public (as a tourist attraction), they and the other brotherhoods continue to operate unofficially.

Since the 1950s, two new *tarikats* have emerged: the Süleimaniye (named after its founder Süleyman Hilmi Tunahan) and the Nurcus (followers of Said Nursi, who died in 1960).

Both are openly religious and more politically involved than the other *tarikats*. The Nurcus had a role in setting up the NSP and gave support to the Justice Party.

Appointees

The more formal side of Islam is heavily bureaucratized. There are some 40,000 imams (essentially, prayer leaders) in the country and above them for the sub-provinces and 67 provinces about 1,500 muftis—all Government appointees.

Such is the inability of the clergy to link together—and, in theory, present a united political front—that they took a decade to organise a Higher Religious Council, the only body to which they were permitted elections.

The religious schools—Imam Hatip Okullari (high schools) and Yüksek İslam Enstitüleri (high Islamic institutes)—for producing clergy are under the authority of the Ministry of Education. A school of theology also exists in Ankara University.

The two most senior religious offices are the Presidency for Religious Affairs and the Directorate General of Pious Foundations (Vakıf). Both are attached to the Prime Minister's office, and directly controlled by a Minister of State. The former religious office makes appoint-

ments and vets sermons, and the latter administers and maintains the Vakıfs and religious buildings taken over by the State. Religion, or at least a major part of it, has become tightly bound up with (but under the strict control of) the State.

On the international scene, Turkey has preserved its diplomatic ties with Israel, but has also attempted to move closer to the Arab and Islamic worlds.

The opening of the office of the Palestine Liberation Organisation in Ankara is a symptom of this. Since the 1960s it has been sending observers to Islamic Conferences. But it was not until it was itself host to the Seventh Islamic Conference in Istanbul in 1976 that it announced its membership of that organisation. It has since attended the conference in 1978 in Dakar, and last year in Fez.

Professor Bernard Lewis in *The Emergence of Modern Turkey* has observed that "the ultimate identity of Turk and Muslim in Turkey is still unchanged." This is true, but it is also an indication of Turkey's essential self-confidence that Pope John-Paul II was received last November at a time which might have seemed ill-judged (Mr. Erbakan's objections were ignored).

For the Turks, unlike any other country in the area, with the possible exception of Egypt, have a sense of separate and special identity.

As a result of the Ottoman Empire, they have too a feeling for their own continuous history. When these factors are taken with Atatürk's changes and a long-established bureaucracy, it seems unlikely that the constitutional secular form of the State will be shaken or changed by Islamic movements, even if their visible features may become more apparent.

Anthony McDermott

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Serious problems on energy supplies

AT THE heart of Turkey's economic problems is its energy programme. It is perhaps even latticing to call it that, because although some long-term plans have been drawn up and, in 1977, the Ministry of Energy published a compendium of the country's natural resources, officials admit they still have no clear idea of their full extent. While this inevitably leaves room for optimism, the fact remains that, at present, Turkey's energy supplies are "badly in chaos".

This is not all Turkey's fault, for it is in the unenviable but basic position of being a developing country which produces little of its own oil (see table). It has been grievously hit by the rise in oil prices. For example, the Central Bank estimates that maximum exports this year will total \$3.5bn—the same as conservative assessments of the cost of oil and products imports. During last December, while such imports were costing \$80m a week, at the stage the Central Bank had only \$20m available.

Turkey, the equivalent of the confederation of British industry, has calculated that between 1974 and 1978, Turkey had to pay an additional \$3.5bn for oil imports as a result of oil price rises.

At the same time, it is clear that Turkey's planners have

been slow to grasp that the country's oil reserves and their ability to meet even a significant proportion of demand was gradually declining. (The performance during 1979 has been exceptional and imposed by foreign exchange shortages and a marked slowdown in domestic economic activity). Inadequate provision has been made for switching away from oil-powered thermal plants, for increasing coal production or for using hydro-electrical potential more fully.

As a result, those conducting Turkey's energy policies have been driven increasingly into a spiral of working almost on a day-to-day basis.

Power cuts

Thus, power cuts have risen to about nine hours a day in Istanbul and Ankara and elsewhere average about four hours. In December, for example, as a result of the reduction in power only 19 of Turkey's 32 cement factories were able to operate. Some schools were closed for lack of heating oil. Favourite television programmes could not be watched. Butchers, bakers and hairdressers had their work hampered. Domestic heaters, even if fuel was available, could not work during blackouts.

Coal production—already hit by uncertainty because of the Ecevit Government's decision to

nationalise all natural resources (a move now being unscrambled)—has fallen, so that it is reckoned that while some 5.5m tonnes were required for the winter period, only 1.5m tonnes are available. In any case, coal distribution has been badly held up by oil shortages.

Electricity production has not been keeping pace with demand, even though per caput consumption has been rising more slowly. Part of this must reflect the fact that during the 1973-77 period the production of primary energy resources should have reached TL 37.2bn (\$0.8bn), but in fact totalled TL 33.4bn (\$0.7bn), a shortfall of over 10 per cent. Between 1976 and 1978, electricity production rose on average by 13.8 per cent annually from 12,245 Gwh (Gwh=1m kWh) to 22,150 Gwh, while per caput consumption rose by 10 per cent from 443 kWh to 510 kWh (with a notable slowdown in 1978 with consumption rising a mere 0.6 per cent).

The State Planning Organisation (SPO) estimated that electrical production for 1979 would reach 24,375 Gwh, but according to Mr. Esat Kiratlioglu, the Energy Minister, it will reach 23,500 Gwh, and even that represents a shortfall of 2,000 Gwh. 1980's demand will rise to 27,300 Gwh, but production to 25,120 Gwh, meaning that the gap will continue to widen, if only marginally.

In the longer term, the projected demand for the year 2000 is 200,000 Gwh. At that stage there must be serious doubts about Turkey's ability to meet this, for with 1979 an exceptional year, in which both oil imports at about 8.5m tonnes (170,000 b/d) and local production at 23m tonnes (46,000 b/d) were down, the trend has been towards increasing dependence on oil for energy.

The drain on Turkey's resources through the cost of importing crude oil and products has been dramatic. In 1973, oil imports cost \$218m, accounting for 10.4 per cent of all imports and were the equivalent of 60.7 per cent of exports. Last year's imports cost \$2.5bn, and part of the reason for this rise was a result of Turkey being forced to buy up to 20 per cent of its supplies on the spot market. The reasons were foreign exchange shortages which caused some supplies to be halted, and Iran's supplies dropping drastically. The Demirel Government has pledged not to buy on the spot market this year, for the 14m tonnes (280,000 b/d) it will require. In the short term, it may have started well with the conclusion in December with Saudi Arabia for the supply of 6m tonnes (120,000 b/d) for this year (concessional terms were sought, but so far the details of the crucial aspect of financing have not been disclosed).

It is hard for Turkey to reduce its dependence on oil, for it is reckoned that four-fifths of its consumption goes to industry, thermal power plants and commercial transport. Pump prices of premium petrol were raised last June by 26.4 per cent to TL 31.638 per tonne, and regular by 30.8 per cent to TL 28.582 per tonne, and further increases are contemplated to slow demand.

Nevertheless, while in 1974 petroleum products provided 43.8 per cent of the country's energy resources, they still provided last year 50.7 per cent. Over the same period, the contribution of lignite (brown coal), whose reserves are put at



One aspect of the energy crisis in Turkey—a two-mile queue of vehicles at a petrol station in Istanbul

5.9bn tonnes, has risen over the same period only from 9.9 per cent to 13.1 per cent.

Perhaps the most under-used resource is hydro-electric power. In recent years, its contribution to Turkey's energy needs has doubled, but last year it was still only providing 7 per cent. In a paper presented to the 10th World Energy Conference, these resources were estimated at 73,407 Gwh, or nearly three times existing demand. But installed capacity is currently put at 16,670 Gwh. Furthermore, the State Waterworks (DSI) has reckoned that to reach the full potential 500 dams and 350 hydro-electric plants would be needed—about 20 times more than there are in operation today.

Remote target

Given these calculations and restraints, the target of 200,000 Gwh at the end of the century looks somewhat remote. Mr. Kiratlioglu, however, maintains that it can be met and optimistically forecasting water resources providing 80,000 Gwh, coal 60,000 Gwh, and oil 5,000 Gwh—leaving a gap of 55,000 Gwh to be filled mainly by nuclear energy, and possibly solar power.

Tow reactors have been contemplated—one of 600 MW near Akkuyu in south Turkey, but financing problems for the Swedish company ASEA-ATOM, have been encountered and a second of 1,000 to be constructed with Soviet help. Little progress has been made in negotiations on this latter project.

Turkey's energy officials are

probably most rigid and optimistic about domestic oil production. In 1970, it provided half of the country's needs, but today it provides about one fifth. The Turkish Petroleum Authorities (TPAO), virtually the only company doing any exploration work today, is optimistic that oil will be found in commercial quantities, but the foreign oil companies, which produce over half of Turkey's oil, are sceptical—mainly because the fractured geophysical structures of the chief fields in eastern Turkey mean that the reservoirs are small.

Furthermore, Shell maintains that it is a sign of these fields ageing that about half the liquid they produce is water when pumping oil.

The Turkish Government is trying to encourage more foreign participation, by raising—subject to uncompleted negotiations with the oil companies—the price of oil produced since the beginning of last year from \$5.21 a barrel to 75 per cent of Saudi marker crude.

In addition, the Demirel Government has indicated that it will support private and foreign companies wanting to invest in exploration. So far only a small U.S. company, Hermes, alone and in conjunction with the Turkish holding group Koc, and a Swedish company have shown interest.

The fact remains that Turkey is likely always to be on the very margins of international companies' interests, even with raised prices and a receptive government. The experience of

some of the companies already in the country have not helped.

For example, Mobil and BP (respectively 51 and 17 per cent participants along with Shell 27 per cent and Maramara 5 in the Atas refinery) have been negotiating for back payments of about \$40m and \$30m respectively for oil imported for the refinery. As a result, they have neither imported oil for that end since March 1978, and the 4.4m tonne refinery is running at about half capacity. (The three other refineries at Batman, Ipras and Izmir with a total capacity of over 12m tonnes/year have fluctuated in production rates, but are currently running at between 70 and 80 per cent.)

Depressing

But perhaps the most depressing aspect of Turkey's energy programme is the Afşin-Elbistan "A" thermal power plant in south Turkey. Its current plight contains all the elements of Turkey's self-inflicted and imported problems. This project, now costing about \$1.5bn, should be the cornerstone of energy supplies. It will be the largest lignite-fired plant of its type in the world, with the added advantage of being close to huge lignite resources. When it finally comes on stream, it could provide about one-quarter of Turkey's needs.

But the problems have been endless. The first of the four 320 MW turbines should have been on stream in 1977, but now this is unlikely to happen before 1984. The fourth will come on stream by sometime between 1988 and 2002. Consultants

reckon that the four turbines will never all be running at the same time or at full capacity not because of the load-bearing capacity of the transmission lines but because of the local technical expertise is not available. Furthermore, locally trained workers tend to find work elsewhere once their training period has ended, reluctant to remain sited at Afşin.

As a result of the delays, and of devaluations of the Turkish lira, costs, according to the SPO, have risen by two-thirds since 1972. Other aspects are held up because the Turkish Electrical Authority (TEK), which is carrying out the project with Foster Wheeler and West German companies, owes about 300m TL (\$6.4m) to various contractors.

Almost half the 107 expatriates on the staff have left because of terrorism on the site, the theft of equipment and despair at the low standard of some of the civil work.

Finally, the Turkish Coal Board (TKİ) has not yet finished a study on the supply of lignite to the plant. It is supposed to supply 18.6m tonnes/year and, according to the SPO, by the end of last year 235 draining wells should have been drilled. In fact, only 149 have been completed and bids for equipment could not be finalised because of a foreign exchange shortage. And the depressing difficulty with this set of particular problems, such as Turkey's energy problems as a whole, is that it is hard to see how the vicious circle can be broken.

A. McD.

OIL PRODUCTION, IMPORTS, CONSUMPTION AND COSTS

(Tonnes)	1975	1976	1977	1978	Jan-June 1978	Jan-June 1979	% Rate
TPAO	1,101,600	1,030,100	1,070,117	991,100	433,474	572,181	+32
Eran	12,700	13,200	3,699	—	7,303	—	—
Turkish Companies	1,114,300	1,049,200	1,073,816	991,100	440,777	572,181	+29.8
Shell	1,628,900	1,250,100	1,213,188	1,376,500	597,642	723,564	+21.1
Mobil and Dorchester	352,700	301,800	426,032	356,500	173,415	153,448	-12.2
Foreign companies	1,981,200	1,555,700	1,639,220	1,733,000	771,057	877,012	+12.7
Total production (A)	3,095,500	2,595,300	2,713,036	2,724,100	1,211,794	1,449,193	+19.6
Imports (B)	9,634,000	11,223,000	11,750,000	10,762,000	5,476,337	3,754,884	-31.4
Import costs*	803	1,102	1,427	1,389	—	—	—
Deficit	6,538,500	8,627,700	9,036,964	8,037,900	4,264,603	2,305,691	-45.9
* A % of A + B	24.3	18.8	18.8	19.8	18.1	28.6	—
Percentage of all imports	16.9	21.5	24.6	30.2	n.a.	n.a.	—

* Both crude oil and products (\$m).

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TURKEY X

The problems of an emigrant

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The policy which has been adapted so far and which resulted in establishing strong relations with many Arab and foreign firms — working with different agencies and establishing partnerships with various local and foreign firms as per job — shall also be followed in an extended manner in 1980. Another item of 1980 programme is financing of the architectural idea project competition among Turkish architects to obtain "Designs for Villa Type Private Houses to be Constructed in Arab Countries." This competition is organized by Turkish Chamber of Architects to present the high level and quality of Turkish Engineering and Architectural services to the Arab World. The designs and models will be exhibited in Saudi Arabia and Kuwait in March - April 1980.

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ELEVEN-YEAR-OLD Aynu Beykoz lives with her parents and two sisters in a two-room tenement flat in "Little Ankara," the borough of Kreuzberg where every fifth Berliner is a Turk. She is the only one in her family able to converse in German. Her father, Osman, works as a gardener for the city and her mother, Ayten, is employed in the winding shop of a large Berlin electrical engineering firm.

Aynu's family has lived in Berlin for nine years, six of them in a building which, years ago, was declared unfit for habitation by the city, but which now houses a dozen Turkish families. They live less than a kilometre from the Berlin Wall in what, in effect, is a Turkish buffer zone between the Germans in East and West Berlin.

West Berlin already has the fourth largest Turkish population of any city, nearly 100,000 and, although Turkish Gastarbeiter are no longer permitted to enter West Germany, their numbers continue to grow with the arrival of family members from Turkey.

The heart of many a Prussian housewife would be warmed by the painstaking cleanliness of the Beykoz flat which, like most Turkish dwellings in Germany, belies the popular myth of squalor. Much is contradictory in the relationship between Turks and Germans, with the average Turk holding Germany — and the Germans in high regard while the Turk is seen as "just good enough to sweep the streets of German cities."

Home facilities

The Beykoz flat is oven-heated and the lavatory is down a flight of stairs. Only one in 100 Turkish Gastarbeiter has central heating, only one in 15 has a bathroom and only every third Turkish family has a lavatory in their flat. This section of Berlin was inhabited by Polish immigrants before the First World War.

Unlike the Poles, though, the Turks in Berlin are ambivalent about their future here. Osman says the family will return to their village in Anatolia "in the next few years." But Aynu says she wants to remain in Berlin which is home to her. She has not seen her native country since she was brought to Germany at the age of two.

Osman Beykoz earns DM 1,850 and his wife DM 1,600 a month. They pay DM 285 a month rent and only recently the parents rejected the offer of a flat in a modern high-rise building that would have cost an added DM 75 a month, plus heating costs. "Too much," says Osman who remits DM 1,000 a month to his father and father-in-law in Turkey, which goes a long way toward supporting 18 close relatives in the village.

Although Osman's work is hard, he is "close to growing things" and says he feels less weary than his wife who works in the constant din of the winding shop. Ayten Beykoz earns nearly half the family's income, but she has virtually no say in how it is spent. However, she does not show any resentment and says that her husband is good to his children and their families in Turkey.

Both husband and wife are regarded as "willing and industrious" by their employers but they are said to be more difficult to approach than Spanish, Greek or Yugoslav Gastarbeiter. The large companies, such as Siemens and AEG-Telefunken which offer



Shoppers at a fruit and spice bazaar in Istanbul. Many Turkish families receive regular financial help from more affluent relatives who work in Western Europe. Remittances last year were worth more than \$1.5bn

EMIGRANTS' SAVINGS BOOST HOME ECONOMY

IT IS the emigrant workers who have kept the Turkish economy turning over during the past two years of crisis. More money is remitted to Turkey by the 700,000 workers in Western Europe than is earned by exports. Their savings are equivalent to at least four times the \$1bn which Turkey claims as its reserves.

But a flourishing black market means that only one-third and one-half of remittances go through official channels. In the first 10 months of last year these remittances totalled \$1.5bn.

Between 1961, when Turkey began exporting workers to Western Europe, and 1978, an estimated 840,000 workers were sent abroad. Most of these were before the 1973 oil crisis, since when recruitment has virtually come to a halt. In 1977 an estimated 72 per

cent of the 1.6m Turkish workers and their dependents abroad were in West Germany where they form the largest group of foreign workers. Saudi Arabia, Libya and Kuwait have recently become important destinations for emigrants.

There is a growing number of industrial projects in Turkey financed by Turkish workers' savings. Surveys of Turkish emigrant workers have found a number of disquieting features. Many emigrant workers have returned less qualified than when they set off. They were often employed in menial jobs, rarely learning a fresh skill and frequently not even using the skills they had. Employers in Turkey have tended to be reluctant to employ those who have worked abroad and thus developed higher expectations

of their workplaces.

Further, emigration has tended to accentuate regional disparities. Most emigrants have come from the richer areas and have tended to be the better-off members of the community even before they started.

Emigrants have tended to stay abroad. A survey of one area found that only one in eight of those who had found jobs abroad had returned. Undoubtedly, the workers have influenced social attitudes, whether in their approach to women or such issues as family planning—but only to a relatively small extent. Furthermore, since they often return to cities rather than to the villages from which they originated, but now find restrictive, their influence on the countryside is often limited.

D.T.

another country, "we play the same games." Another boy says when his parents send him to the market to buy something they always refer to it derisively as the "wog" market because of the many Turks who shop there.

Girls sent home

Aynu says she knows of several teenage Turkish girls who were sent back to Turkey by their fathers and were very unhappy there and could speak no Turkish. They had expressed the wish to learn a trade and, in one case, the German authorities had to step in to prevent an 18-year-old Turkish girl from being sent back because she had a German boyfriend.

Osman regularly reads the Turkish newspaper, Tercüman, which is flown in from Istanbul and has pages with contributions from Turkish correspondents in Berlin, Cologne, Frankfurt and the other cities with Turkish Gastarbeiter. He knows more about German politics than many Turkish workers

and is able to identify Herr Schmidt as Chancellor and the existence of two major parties, "Left and Right."

However, he is far more interested in the political problems of Turkey and, more than with any of the other groups of Gastarbeiter in Germany, the homeland's political strife is reflected among the Turks here. One Turkish resident of Kreuzberg, speaks with fear in his eyes of the "grey wolves" who, he says, were responsible for driving him out of the barber shop he owned in Turkey and who have continued to threaten him in Berlin. Recently, bands of fanatical right-wing Turks descended on leftist countrymen and killed one man handing out leaflets warning against a military takeover in Turkey.

Neither Osman nor any of the other adult Turks on meet in Berlin say they would ever consider becoming German citizens, although he could take out citizenship next year after living in Germany for ten years. Aynu, however, says she would not mind being a "Deutsche Frau" one day, although she would like to retain her Turkish citizenship. A Bill allowing Turks to hold dual nationality has long been bogged down in the Turkish parliament.

Until now, West Germany has not regarded itself as a country of immigration, and West Berlin has broken ground by becoming the first German city to launch a major programme to integrate the large number of foreigners. The effort comes none too soon, since there are forecasts of a social upheaval in West Germany's cities when Aynu and other Turkish children swarm on to the West German job market without adequate education — and with far higher aspirations than their parents.

For a while in West Berlin, the growth of the Turkish population is proving to be an important factor, as the Germans are declining in numbers. If the present trend continues, the Turks will save West Berlin from a sharp decline in population — and perhaps even create the largest Muslim city in central Europe.

Leslie Collett

Conflicts in labour relations

IT HAS been a painful time in Turkey for both workers and employers—with the threat of worse to come. Austerity has involved a slump in real earnings. In the next few months, wages are expected to be cut. Reverse this as the major 20-month wage contracts are renegotiated. But it promises to be a messy affair.

Maden is, the large and militant metal workers' union, shows the strength of beliefs that the workers' problems are not merely economic: "We are preparing for a great struggle against intense exploitation by the monopolies," says the union. "The struggle is not separate from the struggle against imperialism and fascism."

DISK, the left-wing union confederation which is the leading grouping in private sector factories and says it is a class organisation aiming to bring socialism, also warns that sacrifices may be imposed by force. The Government's attempts to tighten workers' belts in accordance with IMF prescriptions will lead to an attack on union rights and freedoms, it warned recently.

Labour relations have become a political minefield, but there are solid economic reasons for this. Unemployment is high, exceeding 20 per cent of the labour force in urban areas. And job offers are few. When the PTT, the Turkish Post Office, recently advertised 125 jobs it had 2,800 applicants.

Further, for all the much-publicised large wage increases, earnings have lagged far behind prices. Some senior Government advisers question this fact, but none the less statistics put out by one pensions

organisation are revealing. On the basis of 1963 as 100, they show that real earnings fell 14 per cent to 97.3 in the martial law period of 1971 and 1972. The index rose back to 105.2 in 1976 but has since slumped: 102.5 in 1977, 93.5 in 1978 and 70.7 in the first six months of 1979.

In general, civil servants have suffered more than industrial workers. Such figures probably only slightly overstate the case and major employers confirm that the trend has been against the workers.

However, they point out their own problems, too. Factories have been producing at between one-half and two-thirds normal capacity. There have been shortages of raw materials and energy. Unions have not co-operated in matching their work hours to the availability of electricity. And they say that legislation is against them.

Severance payments

"The laws were designed to protect the poor worker of the 1930s, but today it is the work place, rather than the worker, who needs protection," a major industrial group comments.

One particular grievance is the level of severance payments. These have become so high that many firms could never contemplate paying them. According to one calculation, the severance payments which would have to be paid in the state industrial sector are much higher than the total capital employed.

But the unions too have their complaints. They claim that legislation does not allow the group with the most workers to be sure of representing a work

place and call for the right of referendum. Further, they argue that though they are often presented as violent they are most often the objects of violence.

Conflicts between police and workers are far too frequent and it has to be said that the workers often have a point in their complaints. Health conditions are virtually unsupervised and appalling. One group which was set on by the police had sat in because they had not been paid for a month. Some of their demonstrations have been eye-catching. One group of workers marched 400 miles from Mersin to Ankara to complain at the dismissal of 847 workers and their replacement by right-wing unionists. Another group of 250 workers was photographed blindfolded and held an electric cable. They threatened to let the current pass and brandished a banner against the owners of the iron casting plant where they worked: "It is better to die than to live in hunger."

The whole union movement suffers from the degree to which it is affected by party politics. The oldest confederation, Turk Is, has about a million members and is particularly important in the public sector; its leadership is divided between supporters of the present and past governments.

DISK has around 800,000 members. Its leader, Mr. Abdullah Basturk, used to be a deputy in Mr. Ecevit's party but quarrelled bitterly with the Ecevit government, particularly when this supported the banning of the traditional May Day rally last year. Last year DISK split, the leadership suspending Maden Is and some other unions.

However, joint fears of the "fascist threat" perceived in the present Government is helping the two sides to find unity.

There is a tiny confederation, Hak Is, supporting the pro-Islamic National Salvation Party. There is also a small but militant confederation, MISK, supporting the Nationalist Action Party. This has about 25,000 members but lost ground when the last government replaced many government officials and corporation heads sympathetic to the NAP.

Costly divisions

The divisions of the workers' movement have cost the unions dearly. They have prevented unions in the same field jointly negotiating with management. They have also led to incidents where workers have been told that they must either join MISK or be dismissed. The authorities have little sympathy for such talk, seeing DISK as unruly, ideological and extreme. Members of DISK claim that such efforts by employers are helped by the local police and Ministry of Labour officials.

"Don't be surprised if you

read that DISK has been mixed up in violence in the future," one DISK official says angrily. "The Government is inviting this by denying our members any legal channel for their complaints." The official states that 50 members of DISK have been shot dead by opponents in the past few months.

In 1978 the Ecevit Government rescinded a "social contract" with Turk Is. DISK always objected to this and the contract has since quietly collapsed. Now the future is likely to be unsettled.

On the political level, DISK strongly opposes some of the Government's proposals, at least those for State security courts, against which it came out in mass protest three years ago. And, on the economic level, it is determined to resist policies which involve further sacrifices by its members. "With Ecevit we might as well shut our eyes at least talk about it," says one official. "We don't even discuss matters," an official said recently. Neither side, in other words, seems prepared to pull its punches.

D.T.

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TURKEY XI

Funding is the banks' major difficulty

TURKEY'S BANKS have weathered one storm. Ministers in the Ecevit Government used to attack them as a "club for the elite" and as part of a bankrupt system, yet when it came to their reforms in the banking law the mountain brought forth a mouse. But the banks are still having to deal with the implications of the country's economic crisis. And these are perhaps more severe than ever.

The banks' main problem is funding. During the heady years of 1976 and 1977 they were able to borrow over \$2bn from Western banks and to lend them to domestic clients at a considerable premium. That scheme of convertible Turkish lira deposits whose foreign exchange risk was guaranteed by the Turkish Central Bank has long been stopped and put in the museum of monuments of governmental folly.

Further, the banks are finding that the credit squeeze prescribed by the International Monetary Fund is beginning to bite. Overall credit limits are being held down and a high proportion of such credit as is available from the Central Bank is being allocated not to the private sector but to Turkey's State Economic Enterprises.

The figures partially tell the tale. During the year to October, 1979, the Istanbul cost-of-living index rose 73 per cent but consolidated deposits with the commercial banks only rose 52 per cent. Further, the liquidity squeeze is being passed on. Commercial banks' loans only rose 39 per cent in that period.

Industrialists' working capital is melting like snow, comments Mr. Sakıp Sabancı, Chairman of Turkey's Union of Chambers of Industry and Commerce and head of the huge Sabancı Group. A few hundred yards along the Istanbul waterfront the Koc Group has the same to say—that firms' profit increases in lira terms have usually hidden shrinking margins and that many firms face major liquidity problems. Inflation means that they need ever larger sums to buy the goods and raw materials to keep producing, but the banks have little to lend. Mr. Sabancı adds:

THE TOP TEN BANKS (Total assets on December 31, 1978)	
	TL bn
Turkish Agricultural Bank	133.8
Türkiye İis Bankası	116.9
Akbank	66.7
Yapı ve Kredi Bankası	56.7
Türkiye Halk Bankası	25.6
Türk Ticaret Bankası	24.6
Türkiye Emial Kredi Bankası	21.0
Türkiye Vakıflar Bankası	19.0
Türkiye Garanti Bankası	13.5
Ottoman Bank	12.1

Source: TIB Annual Survey of Bank Balance Sheets.

"If you squeeze the money supply too much when firms have already reduced production it is very dangerous."

For some of the smaller companies the answer has been to borrow at the high rates demanded in the small parallel banking sector—a handful of houses offering the depositor 41.5 per cent as against the 24.5 per cent offered by the banks and charging the borrower correspondingly more. The more traditional firms consider this a dangerous course but for some of the smaller ones there is little option, particularly during the months when personal and corporate tax have to be paid.

Source of finance

The weakness of the formal capital market and the inadequacy of the stock exchange mean that the banks have long been an important source of finance for industry and commerce. Until 1967 all this finance was short-term but since then longer-term finance has become progressively available. The importance of the banks has long made them an attractive target for the industrial and commercial groups. The Sabancı group owns 80 per cent of the shares of Akbank, Turkey's second largest commercial bank. The Koc group has a controlling share in the Türkiye Garanti Bankası, the fifth largest commercial bank, and one in which the Sabancı group has a minority holding. A new development

is that the Kozanoglu-Cavusoglu construction group has just resurrected the long-quiet Hicaz Bank.

Such moves have attracted considerable criticism. Yet there long was an inescapable commercial logic—that it was in the firm's interest to control a bank as if that bank then owned over 25 per cent of the organisation to which it wished to lend there were no limits on loans.

Changing the provision was one of the aims of the reform in the 1958 Banking Law which was finally enacted last August. Now owned subsidiaries will also be subject to limits on credit—but only where new loans are concerned.

"The law has protected the status quo," commented one of Turkey's leading bank journals, last October. However, it also did take certain measures to encourage wider ownership of banks, to discourage the family banks, to adapt controls and penalties to inflation, it improved the definition of certain concepts in the law. And it resolved a number of practical problems which the banks are facing, such as over the taking of collateral and the arranging of letters of credit for projects abroad.

But it has done little to alter the basic 1930-style spirit of the Banking Law nor to deal with the need to adapt Turkey's financial institutions better to handle the requirements of today.

The problems range from the need drastically to increase such facilities as home mortgages to the contrary problem of how to ensure that the banks channel less funds to their own buildings and more to productive investments. But however circumscribed by regulations, two matters at least show the powers of the banks—that they have been able to block attempts by the armed forces pension fund to set up a bank and that their profitability is extremely high. One bank study records the difference between the weighted cost of liabilities and capital and the weighted yield on assets as being some five times that obtained by bankers in the West.

Nonetheless, Turkey only offers limited scope to foreign deposit-taking institutions. These are tightly restricted. The Ottoman Bank once used to act as Central Bank for Turkey but now it and the four other foreign banks account for a mere 1.7 per cent of credits outstanding. The Bank of America has a shareholding in a further bank, and has just won a management services agreement with the Türkiye Garanti Bankası.

The general nature of the whole sector means that there is little room for fine tuning in managing the economy. Attempts to direct credits to desired policy ends by offering a range of interest rates have had little success. Previously, restrictive credit policies have often foundered on the ability of banks to find ways round the regulations or on firms' ability to sell stocks to raise cash.

But now the boot is beginning to squeeze—and Mr. İsmail Hakkı Aydinoglu, the governor of the Central Bank, has established a reputation for ensuring that political pressures do not always override monetary targets. It is a change from the situation under some of his predecessors when the writ of the Ministry of Finance dominated the Bank. But if Mr. Demirel continues his policy of sweeping out all officials appointed by his predecessor, he might seek to have Mr. Aydinoglu moved when the General Assembly of the Bank meets in April.

D.T.

Foreign investment slow

FOREIGN INVESTMENT is one of Turkey's classic failure stories.

In more than a quarter of a century the country has been able to attract only TL 2.5bn from abroad—less than \$60m at the current exchange rate.

Despite its many advantages, including a large local market, considerable industrial capacity, association with the Common Market and proximity to Middle East markets, the number of foreign companies operating in Turkey is 97. There has been no foreign investment of any significance in the past three years.

Obstacles in the way of foreign investments in Turkey are more the result of mental attitude than of legislation. The

1954 law for the encouragement of foreign capital is liberal compared with legislation elsewhere.

But official attitudes in Ankara are still strongly influenced by memories of the Ottoman era, when Western companies virtually colonised segments of trade and industry under the so-called "capitulations."

Xenophobic sentiments were further reinforced in the 1950s when a handful of investors, taking unfair advantage of conditions prevailing at the time, failed to implement their projects fully. In some cases, market shortages resulted in such high profits that invested capital was amortised within two years.

These memories still rankle, so that sentiments and slogans appear to have overpowered logic and the dictates of the country's economic requirements.

Mr. Süleyman Demirel, the Prime Minister, believes that this picture must change and his Government's 1980 investment programme, which embraces targets of growth as well as principles, provides some insight into his foreign capital policy.

The focus, understandably emphasised in view of Turkey's chronic trade deficit, is on exports.

Under the new guidelines of the programme, the Government will expect "a significant amount of exports" from both

new and already established joint ventures.

Foreign projects designed to export most of their production will be encouraged regardless of whether the investments they involve fall under the priority sectors listed by the Government or whether they meet the stipulated ratio for foreign equity participation. The same would be true for tourism projects, which the Government is promising to back up with infrastructure investments.

These changes waive one of the iron rules under which foreign capital has been admissible in the past decade or so: local majority ownership of capital.

Machinery, manufacture, chemical and metal goods industries and investments in the intermediary and capital goods production sectors will be given priority treatment.

The government also promises to do away with the biggest and most exasperating obstacle in the way of foreign investments—bureaucratic red tape.

"Foreign capital has scaled the China wall," said a Turkish industrialist, "but has been repulsed by Turkish red tape."

New applications

The Demirel programme promises to set up a system which would work semi-automatically, cutting down the time taken by bureaucrats to study applications.

It is understood that a single hurcan will be empowered to look at applications. This may be located within the State Planning Organisation.

Opening the door further, the programme states that large projects could be negotiated outside the precincts of these principles.

The SPO is engaged in improving the "foreign investment code" which was prepared during the administration of Mr. Bulent Ecevit but could not be published due to the opposition of State-sector minded cabinet ministers. This is being simplified by Mr. Demirel's advisers and may be ready within a month or two.

Mr. Demirel is also working on a plan to attract foreign oil companies back to Turkey.

"Turkey," he said, "must resort to every remedy to prospect for oil on land and off shore, make use of every possibility and definitely find oil. To reach this target the current laws and regulations and practice will be changed with courage."

While Mr. Demirel is sincere in his desire to attract foreign investors and oil companies, his invitation will be viewed from abroad within the context of Turkey's continuing political instability, the plague of terrorism and economic depression.

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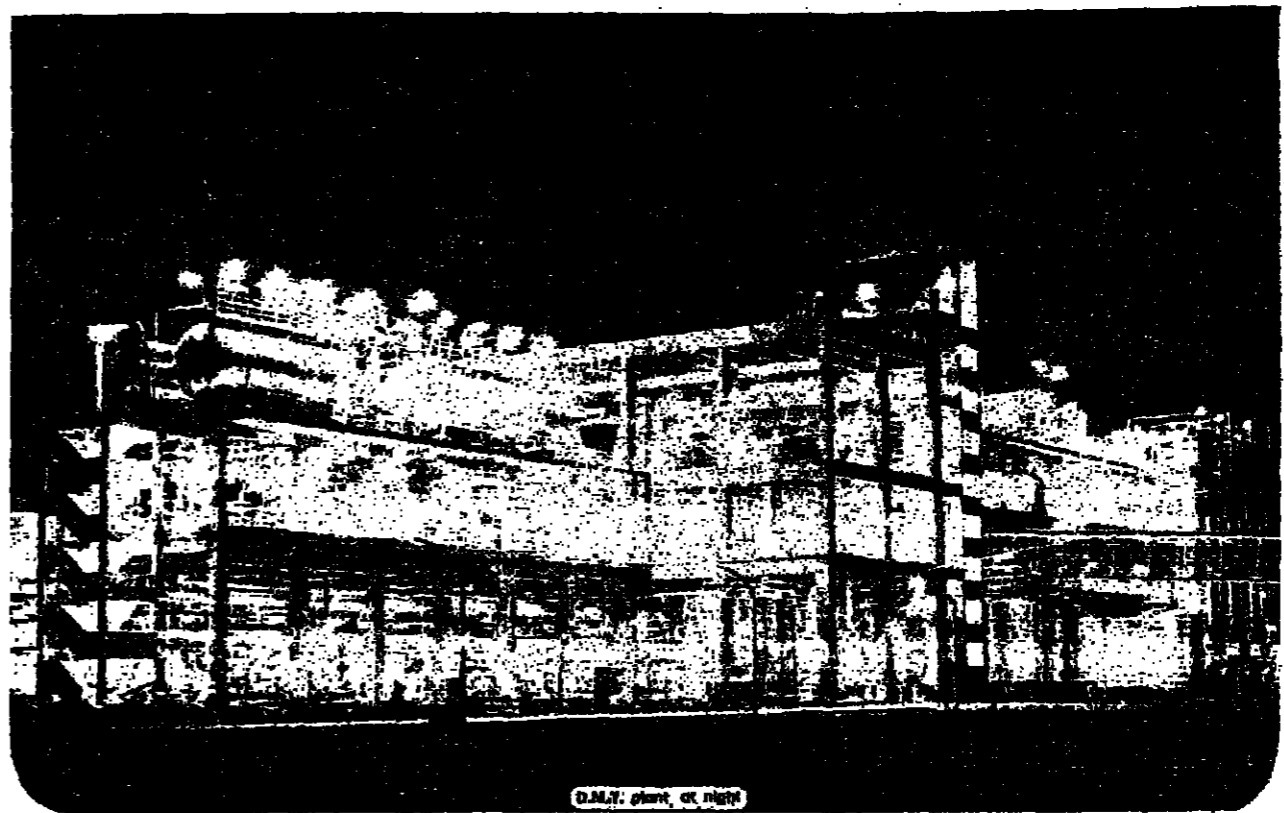
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TURKEY XII

Increasing strains in city life



The pressures caused by the surge in population are only too evident. Around 46 per cent of Turkey's 44m people now live in the cities.

FUNDAMENTAL TO all the much publicised problems of the Turks is one issue on which there is virtual silence. The mass migration from country to town; the endless queues of the jobless and at bus stops; the eroding of schooling and hospital services; the spread of slums and shortage of housing; the general strains on society which are reflected in the violence—all these are influenced by the country's burgeoning population growth.

Turkey's 44m people are increasing by 2.4 per cent annually. The country is well on its way to becoming the most populous member of the Europe to which the present Government would like to link Turkey's destiny.

To many people the need for action is clear. A number of unions are agreed that family planning should be taught, though, more characteristically, disagree on whether this should be in the employers' or workers' time. The grand old man of Turkish industry, Mr. Vehbi Koc, frequently calls for limiting families. Surveys of women have found that many are keen, not least in order to protect their health, to do this.

But the politicians have delayed. The Government of Mr. Bulent Ecevit did little, though did open the doors for people, such as midwives to be more active. That of Mr. Demirel believes, according to one of its top advisers, that population cannot be artificially limited and that in rural areas children are essential for the economic future of the parents. It is perhaps symbolic of the problems to be overcome that one Turkish deputy has 13 children and another has 19.

The pressures caused by the surge in population are only too evident. In 1945 Turkey had

19m people. By 1973, this had doubled and each year 1m further Turks have to be accommodated.

The years have seen a major shift to the cities. In 1945, 18 per cent of the population lived in cities. Now 46 per cent of a much larger population are city dwellers. Istanbul has quadrupled in the past three decades. Surveys show that even in 1985 nearly two-thirds of the population of Ankara and Istanbul had been born in other provinces.

Social cost

"I would never have encouraged the drift from the villages if I had known the social cost," says one man who became Minister of Interior after being Minister of Agriculture. Each tractor has displaced about six agricultural workers.

As so often in the Third World, the municipalities—which have always been starved of powers by the capital—have been unable to provide the services necessary. One-half of the population of major cities lives in the shacks which have sprung up over the hills surrounding cities such as Ankara. Now, 42 per cent of the population is aged under 15, compared with around 30 per cent in Western Europe, causing the inevitable strains on the schools. Emigration has long ceased to be the safety valve it once was. Unemployment now exceeds 20 per cent of the labour force.

All this is a major change from the days after the defeat of the Ottoman Empire in the First World War and the huge human losses involved. Increasing the depleted population was a priority of Kemal Ataturk, the founder of the Republic. Celibacy taxes were considered. There were medals and tax incentives for large families.

Abortion was, in best German and Italian pre-war style, classed among "crimes against the integrity and health of the race."

But laws in Ankara were one thing and practice in the villages another. A 1959 survey by Dr. Nusret Fisek found that infant mortality was as high as 165 per thousand live births and estimated that 53 per cent of the deaths of mothers were caused by abortions. The officers

who carried out the 1960 Revolution were in favour of family planning. The Five-Year Plan which they ushered in advocated various measures, and in 1965 a law on population planning was enacted. Since then, family planning facilities have gradually become available on a limited basis, but the Fourth Five-Year Plan for 1979-83, prepared by the Ecevit government, does not address itself directly to population issues and

proposes no policies in this field. Those favouring family planning find it best to present it as part of wider projects aimed at improving maternal and child health. In a country where the State has little to offer the old it is inevitable that many parents see their children as their security.

But this argument is less effective than it was and is mainly heard in rural areas. In the towns an extra pair of hands is also an extra mouth to feed. And in both areas the State's ability to supply family planning assistance is lagging far behind the demand for it.

The Fourth Five-Year Plan suggests that the ideal family size desired by the family on the Konya omnibus has declined from 3.2 in 1963 to 2.6 in 1973. This is lower than the average shown by more recent surveys but still the experience of some projects, such as that at Etimesgut, near Ankara, shows that the rural population is receptive to education on family planning. Even without such education around two couples in five are using some form of contraception, though only one in nine are using methods which are reliable.

The Right-wing parties, in particular the Nationalist Action Party, see Turkey as needing a large population to provide it with a strong labour force and a steady defence. Family planning is accused of intruding into the intimacy of the Turkish family, as being harmful to women's health, and imposed by imperialist countries and those with "suspicious purposes."

Such views have led to discreet attempts to undermine integrated mother and child health projects, including that at Yozgat funded by the UNFPA, UNICEF and the Population Council. In one case villagers have been told that the pills given to them are "Moscow's ears" and will allow the Soviet Union to listen to all they do.

Elsewhere, family planning attempts have often been so badly administered as to be counter-productive. Yet, in general, the population is more ready than the State's services. Projects in this field are meeting a satisfactory response—and could be so much more effective with backing from the Government and the State media for a cause which seems self-evident.

D.T.

Upheavals in education

THE BATTLE for hearts and minds in Turkey is being taken seriously—too seriously. The university campuses have virtually become barracks and lecture halls are liable to have a patrol of gendarmes ostentatiously guarding the aisles. Such precautions are generally

welcome. In the violence, hundreds of students have died. Further, six university lecturers and professors have been killed in the past year and three others were included on a right-wing death list found last month.

In the past, the universities have frequently had to be

closed. Now the incidents tend to take place in student hostels, the streets or the cafes where students meet. The teachers' training colleges have long been fields of war and, increasingly, so are the high schools. Politicians seep low, affecting even students of 14 years of age.

Standards are suffering. Survival has become more important than study.

"About half the graduates produced by our universities are unable even to write a good Turkish sentence," says a professor at the influential Political Sciences Faculty of Ankara University.

The demands on the educational system are enormous. At one end of the scale there is a shortage of people with the managerial skills necessary to help Turkey through its industrial revolution, of mechanical and electrical engineers, of foremen, of accountants, of nurses and of secretaries. At the other end of the scale, there is the huge problem of spreading literacy.

Aggravating the situation is a drain of doctors and engineers abroad, the problem of obtaining teaching and medical staff willing to work outside the major cities and the flight of teachers from a profession which offers them little money, less prestige and no security.

The difficulties exist at all levels. The share of GNP devoted to education is less than any country in the EEC—and GNP is of course well below European standards. Buildings have been unable to keep up with the sheer flood of numbers. In the past two decades those at primary school have doubled, those in middle-level school and lycées nearly quadrupled and university students increased in number by 400 per cent. Literacy rates have risen from 29 per cent for men and 10 per cent for women in 1935 to 75 and 48 per cent in 1975.

Shift system

Such figures indicate a measure of success. But the existing schools are overcrowded and sometimes have to work on a shift system. Further, primary school education is not available to about one million children of that age group, with girls in particular being discouraged from schooling. The expansion of university education to a point where Turkey has more university students than Britain is also impressive, but has to be seen against the fact that only 40,000 out of the 350,000 applicants can be found places.

Then there is the problem of how suitable is the traditional Turkish method of learning by rote and the issue of structure. Vocational training has long been seen needing to be given priority. Both the Ministry of Education and industrialists, impatient at the amount of in-plant training which they have to provide, insist on this. But the facilities available are limited—"This is one of our biggest problems," says Professor Altan Gunlal, chairman of the Universities Admission Board.

The existing schools have some vagaries. Girls, for instance, may enrol for flower

decoration but not for electronics. They also suffer from a lack of qualified staff, a failing in part contributing to the low standing of a vocational school diploma. Employers admit to preferring almost any university degree to even the best qualifications from a vocational school.

At present, all such considerations are overridden by political ones. Recent changes of government have led to fighting in the corridors of the Ministry of Education. Under the two Nationalist Front governments of Mr. Suleyman Demirel in 1973-77, numerous supporters of the militant Nationalist Action Party of Colonel Alparslan Turkes were given appointments. Many of these then were shunted aside by the Government of Mr. Bulent Ecevit, but the latest Government of Mr. Demirel has seen the NAP again gaining ground.

Training colleges

Even before 1975 the NAP had given priority to the teachers' training colleges, apparently hoping to bring up a generation in their way of thinking. Their followers would make entrance to these colleges dependent of the applicant knowing details of Mr. Turkes's birth. It was one of the successes of Mr. Necdet Ugur, who was Mr. Ecevit's Minister of Education, that he managed to set the teachers' training colleges on a more normal course. But it is indicative of the role of the minister nowadays that Mr. Ugur was a former police chief. Policing rather than developing educational policy has become the sad lot of the ministry.

Today, the old battle has emerged. On one level it is overtly political—supporters of Mr. Turkes against followers of TOBBER, the largely Marxist teachers' Association which has over half of Turkey's teachers as sympathisers and about one-third as members, according to one professor.

But on another level it is the continuation of an old and historical debate. One side of this has always adopted the argument that education is aimed at installing a framework of social and cultural orthodoxy, at developing the traditional values of the great Turkish nation and, increasingly, its Islamic heritage. The other derives from the modernising reformist current which had some success in the 1930s and was represented by Kemal Ataturk, earlier this century.

Many of today's heirs to this current development, accept wholeheartedly the secularisation carried out by Ataturk, though they criticise his reforms for not going sufficiently far and—a recent strand—are sceptical of the West as an ideal.

In various forms the argument has been going on publicly ever since the 18th century when traditionalist mobs dragged a reformist Grand Vizier from his horse and killed him. It is not going to be settled just now. But it is being fought more bloodily than ever before, at the cost of the quality of education and to the detriment of the next generation which will run Turkey.

D.T.

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Cash and Due from Banks	5,107,514	2,893,698	1,690,598
Investment Securities	272,943	90,113	37,992
Loans	5,937,286	4,598,457	4,499,018
Equity Participations	674,025	421,369	318,433
Premises, Equipment and Other Assets	1,509,309	839,445	460,527
TOTAL ASSETS	13,501,077	8,843,082	7,006,568
LIABILITIES AND EQUITY			
Deposits	10,303,227	6,892,553	5,630,018
Funds Borrowed	741,062	691,883	729,535
Other Liabilities	1,971,835	918,743	460,305
Equity	484,953	339,903	196,710
TOTAL LIABILITIES AND EQUITY	13,501,077	8,843,082	7,006,568



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TURKEY XIII

PROFILES OF SOME OF TURKEY'S PROMINENT PERSONALITIES

Turgut Ozal

PROBABLY NOTHING demonstrates better Prime Minister Süleyman Demirel's intention to liberalise the Turkish economy than his appointment of Mr. Turgut Ozal as chief economic adviser. Mr. Ozal was the architect of the highly successful 1970 devaluation and economic package on which seven years of fast growth was based.

Mr. Ozal's official titles are Acting Under-Secretary of the State Planning Organisation (SPO) and Under-Secretary to the Prime Minister.

But the mass circulation daily, Cumhuriyet, calls him "the Cabinet Minister without a Ministry," and claims that he is "more powerful than most ministers."

In reality, he is to Mr. Demirel's economic affairs what Dr. Henry Kissinger used to be for former U.S. President, Richard Nixon in national security affairs.

The most immediate task of Mr. Ozal—who left a string of lucrative positions in private business in Istanbul to help Mr. Demirel—is to prepare a programme of economic measures designed to both liberalise and stabilise the economy.

For the longer-term, the 53-year-old Mr. Ozal will act as co-ordinator between the SPO, Central Bank, Treasury and the Ministry of Finance.

Mr. Ozal, a short, corpulent man wearing horn-rimmed glasses, has long experience in both the civil service and private business between which there is a vast communications gap and distrust in Turkey. In both fields he rose to positions and gained a reputation for sharp intellect and pragmatism.

"I worked with the Government for 21 years on a small salary," he says.

He quit the civil service in 1971 as head of the SPO, after the general election. Mr. Demirel named him as Prime Minister. He joined the staff of the World Bank where he worked for nearly three years. He returned to Turkey to one of the top jobs in private industry to become the managing director of the Sabanci Group of industries and to run the investment



Mr. Ozal "more powerful than most ministers"

department of their Akbank.

After two years with the Sabanci Brothers he left to manage a number of smaller companies in steel and tractor manufacturing.

When Mr. Demirel invited him back to Ankara last month he was head of the Metal Industries Employers' Union and held an executive position in a number of private companies.

Mr. Ozal, married with three children, is a pious Muslim. To enter his house one has to take off one's shoes as is required before going into a mosque. Like most Turks, he smokes heavily but never drinks. He prays and fasts during Ramadan and has frequently made the pilgrimage to Mecca.

"The only way that Turkey can re-attain visibility is by shifting to the free market economy," he says. He has plans to cut down red tape, encourage exports, liberalise imports and investments and allow prices to be formulated by market forces.

Mr. Ozal's appointment was greeted with satisfaction by the Turkish and foreign business community in Istanbul which was fed up by Mr. Ozal's State-sector minded predecessors. But to the Left wing he is not an attractive figure. The Left-wing daily Cumhuriyet, calls him "The Xerox of the Prime Minister," portraying him as a capitalist with blood dripping from his teeth. He is not a representative of big money," says the paper. "He is big money itself."

M.M.

Esat Kiratlioglu

WITH POWER blackouts lasting up to nine hours a day and industry badly run down as a result, Mr. Esat Kiratlioglu, the 50-year-old Minister of Energy and Natural Resources, is well aware that he is occupying perhaps the most important position in the Cabinet. "About 70 per cent of the problems Turkey is encountering stem from my Ministry and have to be solved by it," he says.

For some it is debatable whether it is an advantage that Mr. Kiratlioglu—a dapper, agreeable and slightly built man—is by training a geologist. The training was acquired at Graz University in Austria, leaving him with a degree in Germany which more than matches his command of English. Some argue that politicians should be politicians and quote "a little learning is a dangerous thing"; others maintain that a geologist has a greater chance of grasping the enormity of Turkey's energy problems than an untrained politician.

Whichever is the right conclusion, the impression of the man that comes across first and foremost is that he is to his fingertips primarily a politician. This is not to underestimate his pro-ministerial career. He was a geological adviser to Iler Bank, which provides development credits for the municipalities, before becoming its Director-General. He entered Parliament in 1967, the deputy for his birthplace, Nevsehir, south-east of Ankara in central Turkey, after four years as its mayor.

His most recent job before becoming Minister was to be the Justice Party's Whip in Parliament, which gives him a particular insight into the workings of his party.

To spend an hour one morning in his office, with its lights suitably dimmed, is to see the politician at work. During this period he received a whole series of people ranging from mayors worrying about power cuts to constituents from Nevsehir and others hoping to get their personal coal supplies through. Each was a potential voter, fighting for attention against incessant phone calls.

When we met later that evening, his first words were "I have met a thousand people today," and it was hard to believe him. But even given the problems of mastering a difficult and crucial brief, it is clear that Mr. Kiratlioglu, like his lawyer predecessor, Mr. Deniz Baykal, is facing the basic dilemma of Turkish politics. A Ministry enhances the holder's opportunities for a political patronage, but simultaneously reduces the chances of policy directives being worked out. And unless Turkey's energy problems are got right and the time spent on getting them right—it will not just be this winter which will be spent in the cold and largely in the dark by many of its citizens.

A. McD.



Mr. Kiratlioglu, Minister of Energy

Gen. Kenan Evren

ONE FACT symbolises the relationship between Turkey's soldiers and politicians. When other NATO countries' chiefs of staff finish attending meetings of the alliance's Military Committee, they stay on in Brussels to sit at the elbows of their defence ministers at the Defence Planning Committee. Not so Turkey's top general. He refuses to play second fiddle to a civilian and flies back to Ankara, leaving his deputy behind.

As head of Turkey's armed forces, General Kenan Evren occupies the most important post in the country. The military intervened after the 1959 economic crisis and issued an ultimatum after the crisis of 1960. A further ten years on, they have so far only issued a warning to the politicians. But it was a stiff one: "Get together on terrorism—or else."

It is always a delicate balance between the country's armed forces and the politicians. Since 1960, the military's role has been clearly institutionalised. The President has always been a military man. The National Security Council on which they sit has acted as a formal forum with the Government. The military have ways of making their ways known. Therefore, when they do so publicly, it is a serious matter.

General Evren is remembered by classmates as having a strong personality which he does not like to show. Today, he is described as a "quietly determined" man. In 1937, he was one of the first class of officers to graduate from the newly opened Ankara military high school. He is described as being humble. During the Cyprus invasion in 1974 he was Chief of Staff to the commander of Turkey's army. Four years later he became Turkey's combined Chief of Staff. One of his first orders was to put an

Hayrettin Erkmen

IN 1960 the armed forces put Mr. Hayrettin Erkmen in prison. Today, he is Foreign Minister and, in his own right, one of the more respected members of the present Cabinet.

Mr. Erkmen's appointment reflects the continuing rehabilitation of the Democrats who ruled Turkey until the 1960 coup. Imprisoned, in some cases executed, they were put on the margin of the country's political life. Yet visitors to Mr. Erkmen's house during this difficult period remember how he insisted on keeping a portrait of the Democrats' President, Celal Bayar, on his wall.

This reputation as a man who has stuck to his principles also goes with one for efficiency. He is remembered as the best Minister of Labour of the Democrat decade and already he has impressed the civil servants at the Foreign Ministry with his decisiveness. He has also so far obeyed one maxim—that, however much politicians may sweep clean the personnel of other Ministries, the Foreign Ministry is left relatively alone.

His predecessor was less punctilious about this rule, but Mr. Erkmen has shown more interest in policies than in-house politics. His own background combines West European universities with years steeped in the Turkish political process. Now aged 64, he was in Paris doing post-graduate studies in economics when World War Two broke out. He returned to work in Turkey's Ministry of Finance, then obtained degrees in Law

from Lausanne and economics from Geneva; these included a doctorate.

Between 1950 and 1960, he was deputy for the Black Sea port of Giresun, his birthplace and the town for which he is now senator. During the 1950s, he was twice minister of labour, once minister of commerce and in 1956 and 1957 was chairman of the parliamentary group of the Democrat Party.

He has since worked as a lawyer, a lecturer and as a member of the Governing Board of the Central Bank. In the ministry, he faces the perennial problem of how to handle a staff which has more ambassadors than embassies and where a number of respected diplomats have to watch from the sidelines—though Dr. Kurt Waldheim at least was able to make use of these reserves. Taking on secondment Turkey's former representative to the UN to act for him on refugees in South-East Asia.

Mr. Erkmen also has the problem of policy. The first interview he gave after becoming minister was striking for the extent to which it indicated the basic bipartisanship of Turkish foreign policy. He stressed certain nuances, for instance his determination to clear up any misunderstandings which the previous government may have left over Turkey's desire to have good relations with the West.

But his basic approach was not to score points off the Ecevit government but to deal with what he perceives as Turkey's national interests. He had a reputation for belonging to the school which identified those interests as being far more linked with the West than was beginning to become the conventional wisdom. His tendency since has been to confirm that reputation, but, if he needed allies to make his point, Afghanistan has provided them.



Mr. Erkmen, one of the most respected members of the Cabinet

with what he perceives as Turkey's national interests. He had a reputation for belonging to the school which identified those interests as being far more linked with the West than was beginning to become the conventional wisdom. His tendency since has been to confirm that reputation, but, if he needed allies to make his point, Afghanistan has provided them.

D.T.

Dr. Turker Alkan

TURKEY'S PROFESSIONAL organisations wield considerable and controversial clout. Three years ago their opposition, combined with that of the Left-wing unions, blocked proposals by a previous Demirel government to introduce State security courts.

One of the most respected of these organisations is TUMOD, the Joint University Professors' Association. Its present President, Dr. Turker Alkan, ten years ago wrote his thesis at the University of Southern California on the role of the intellectual in developing societies. Today, he is face-to-face with how challenging that role can be.

Of the six university professors shot dead in the past year, five were members of his association. One, Necdet Bulut, had been TUMOD's general secretary. Another, Umfi Doganay, had founded its Istanbul branch.

"None of them were militants," says Dr. Alkan and it is professors who, in the West, would often be classed as liberals who say that they no longer dare sleep in their own homes.

TUMOD claims as its members about one-third of Turkey's university professors and lecturers, including a number of the more influential ones, the young and old. Like other civil

servants they are no longer allowed to form trade unions. In many cases, the response to this ban has been to form associations whose role has often spread to the political sphere. The police organisations, the radical POLDER, and the much smaller Right-wing FOLBIR, have been particularly controversial.

Most radical of the associations is the huge teachers' movement, TOBDER. The president of this, Mr. Gultekin Gazioglu, is in prison awaiting trial. It has considerable influence with the teachers. A one-day boycott of classes which TOBDER arranged to commemorate the first anniversary of the 1978 Kahramanmaraş massacre when 100 people died, led to 3,500 teachers and students being detained. So far 4,243 teachers have been summarily dismissed for disobeying a Government ban on joining the boycott.

Associations supporting the Left generally have far more members than those supporting the Right. The past year of martial law has seen TOBDER and many other associations closed down. It is a bitter irony that they were considerably weakened by the Government which they helped to put in power, that of Mr. Ecevit. Their future is yet graver under the present Government.

The extension of their activities to the political stage is seen as essential by Dr. Alkan. "Our aim is to protect the interests of university teachers and advance them professionally. But how can we concentrate on professional issues alone when our members are being killed? Of course, we raise our voice and find ourselves taking sides."

TUMOD has always condemned violence. It has gained a reputation for seriousness and for the value of work and analysis. It had a flourishing dialogue with Mr. Ecevit's minister of education, not least on the proposed new university law. But Dr. Alkan says that there has been a change of attitude since the present government took over. He cites the case of when a number of his members were allegedly beaten up in Istanbul by soldiers at the funeral of a murdered professor who had also been a member of his association.

He argues that the terrorists aim to cause the State to abolish the freedoms in Turkish society and criticises a new bill to limit the activities of associations such as his as dangerous for democracy.

D.T.

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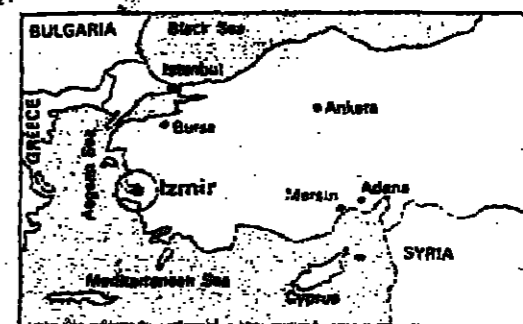
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TURKEY XIV

Success in overseas construction

WORK in the Middle East has been a success story for Turkey. When I have so much work, it was the gist of what Sileyman Demirel, the Prime Minister, told a group of contractors who visited him last month. But the contractors' reply was that they had outgrown Turkey—and, in some cases, their pride is justified.

Some 29 companies are involved in more than 40 contracts. The Turkish share in these is about \$2.5bn. But until both Turkish contractors and workers are given greater incentives by the Government to repatriate their earnings through official channels—and more support in bidding for contracts—direct gains to the state will remain low.

For example, officially declared net receipts, according to Finance Ministry calculations, reached only \$55.2m (of which declared workers' remittances were \$15.5m) in 1978. This year, net receipts are expected to rise to \$150m—a modest sum when the possibilities are considered.

However, the main companies involved are optimistic about the future for two main reasons. First, they are convinced that the Demirel government (political developments permitting) is more aware of the potential of this sector than the Ecevit administration was. Second, it appears to be serious in efforts to ease the problems that the companies have in doing business.

And the potential is undoubtedly there. The Enka holding group, one of the Turkish pioneers in winning construction contracts in the Middle East, earned through profits and workers' remittances \$75m between 1973 and 1978, and hope to earn the same sum this year alone. According to Mr. Temiz Usun, Enka's Foreign Affairs Manager, they currently have bids in for contracts worth \$8.5bn, and hope to win shortly new ones in Libya and Saudi Arabia worth \$100m.

The first serious involvement of Turkish companies in the Middle East began with Enka's in 1971. Efforts were predictably intensified after the 1973-74 rise in oil prices and the expansion of local development plans. Since then a total of 17 contracts have been completed: 10 in Libya (mainly cement and limestone plants, and the construction of ports, barracks and civilian housing); four in Saudi Arabia (a cement factory and city infrastructure in Mecca); two in Iraq (a power station and a bridge across Shatt el-Arab); and one in Abu Dhabi (an electrical transmission line).

According to Tusiad, the Turkish Industrialists and Businessmen's Association, which is compiling an analysis of the operations of Turkish contractors in the Middle East, the profits made on these contracts, with one or two excep-

tions, were very limited. At this stage, Turkish companies were concentrating more on the essential strategy of making lasting contacts and establishing reputations. Furthermore, for tax reasons companies were keen to understate any profits made.

The 29 main companies now involved in construction contracts are concentrating their operations in Libya, Saudi Arabia, Iraq, Kuwait, and the United Arab Emirates (UAE), although some interest is also being shown in Algeria. Precise estimates of contract values are almost impossible to calculate and three studies undertaken by Tusiad, the Kuluuta, holding group and Garanti Bankasi have all produced different calculations. But of the \$2.5bn worth of business, about 55 per cent is in Libya, about 24 per cent in Saudi Arabia, and about 17 per cent in Iraq. The rest is divided between one contract apiece in Kuwait and the UAE.

Just before Christmas a group of Turkish contractors involved in the Middle East presented the Government with a report outlining their main concerns and difficulties. The first was financial and is directly related to Turkey's international credit rating. Letters of guarantee from Turkish banks are not acceptable everywhere. For example, while Iraq and Libya accept them, Saudi Arabia does not.

Furthermore, the commission on these letters of guarantee—an average of 4 per cent, plus a 25 per cent tax on that commission—makes it highly uncompetitive to raise money in Turkey in comparison with the international market.

In addition, the size of some of the contracts bid for (and of) the bank guarantee often comes up against the regulation stipulating the value of one bank's guarantee should not exceed 10 per cent of its capital. However, the Government has now decreed that a consortium of banks can be formed to issue a letter of guarantee, and, to overcome the problem of the acceptability of these letters, the possibility of government-to-government agreements is being explored.

Labour laws

Second, Turkish labour laws require a minimum wage which has begun to make Turkish labour uncompetitive. For example, in Saudi Arabia this amounts—without additional payments for food, housing and social security—to 1,500 riyals/month (\$445), which contractors claim is three times as high as Korean workers are paid.

In addition, employers are required by law to repatriate directly from the pay packet 30 per cent of a worker's earnings. But in Saudi Arabia, for

example, money cannot be subtracted without the worker's permission.

Third, because of the problems of obtaining foreign exchange, and sending machinery and people to foreign sites, contractors have been holding foreign exchange outside Turkey for easy access. Finally, as a result of industry as a whole being run down, Turkish construction companies are at a further disadvantage to their competitors because of difficulties in obtaining such materials as cement, iron and steel.

In Turkey's favour is the fact that its companies are better acquainted than some with Middle Eastern geographical and social conditions. Interestingly, contractors have not found it an advantage to be Moslem except when bidding for projects in Mecca and Medina, the holy cities, which are barred to non-Moslems.

According to Mr. Aydin Gillingiroglu, a senior adviser to Kuluuta, Turkish workers' productivity, skills and experience are much valued. Mercedes-Benz have found the transfer of workers from Germany to an assembly plant in Jeddah a successful operation. As a result, Turkish construction companies employ about 15,000 Turks in the Middle East, and non-Turkish contractors another 70,000.

The point is made, too, that

Turkish contractors have not yet realised their full potential and are essentially conservative in their attitudes towards operating abroad. Twenty-nine companies out of several hundred equipped to bid for Middle East construction projects is a small proportion.

So far, companies have not moved into heavier industry or more ambitious projects, such as dam building. Some of the expertise from the State economic enterprises could be tapped for the building plants for metal work and textiles, as well as cement and sugar mills. Tusiad estimates that in the next few years Turkey's share of the Middle East market could rise to \$10bn.

But Turkish contractors will need considerably more practical encouragement from the Government as competition grows from developing countries, from second-league European countries, from local companies, and from other Western companies which have diverted their energies to the Middle East because of the recession in the industrialised world. This competition is expected to be sharpest for contracts between \$10m and \$100m. But above all, it will be in the Government's own interests to help, because otherwise it is denying itself foreign currency.

A. McD.

Good prospects for increasing food exports

TURKEY IS one of less than 10 countries in the world which are fortunate enough to be virtually self-sufficient in food. In fact, Turkey is more fortunate than the majority in the small club as it generates exportable surpluses and its unexploited agricultural potential remains vast.

Turkey has more arable land than any other country in Europe, except the Soviet Union. Only 2.6m hectares out of a potential 8.5m, hectares were under irrigation last year, an indication of the gap between production and potential, which the country possesses.

In the years ahead, Turkey will remain a large market for agricultural inputs such as fertilisers, pesticides, and farm machinery as well as capital goods for agricultural projects such as irrigation and the building of dams. By the end of the century the country is a candidate to become a major exporter of fruit, vegetables and processed foodstuffs as well as traditional exports such as cotton, tobacco, hazelnuts and sultanas.

Even though governments have been obsessed with industrialisation since the 1950s to the detriment of agriculture, Turkey remains a predominantly farming country. Agriculture accounts for approximately 26 per cent of GDP and 70 per cent of exports, and it employs some 60 per cent of the population.

Despite its relative neglect the sector has shown remarkable growth in improved technology and widespread use of fertilisers and pesticides have contributed to increases in agricultural output. FAO statistics show that the increase in the output of agricultural commodities in the period between 1970-77 was 27.3 per cent in Turkey compared with 15.8 per cent in other developed countries. Growth in the sector overall has averaged 4.2 per cent per year over the past five years, despite which

investments fell short of the Government's targets and, as a percentage of the total, declined. Mechanisation, however, surpassed the target of 30 per cent per year.

Last year was the fourth consecutive good year for Turkish agriculture with total production slightly below the previous year's harvest and agriculture as a percentage in the GDP declined by 2.4 per cent to 24.9 per cent, according to the projection for the total year.

The Fourth Five-Year Development Plan, which went into effect last year, foresees a 5.3 per cent annual development rate for agriculture, and 7.3 per cent annual increase in the export of agricultural commodities.

Wheat stocks

The Government's wheat purchases last year are believed to have amounted to 1.8m tons, which was below expectations. Consequently, stocks are considerably lower than those of the previous two years and the government is very cautious in making export commitments.

Official estimates for the 1978 cotton production are for 481,000 tons. Export registrations by the beginning of December last year were 44,000 tons of about 60 per cent below the previous year's harvest. Registration is expected to be slow until the Government raises the low exchange rate for agricultural exports.

The tobacco crop in 1979 is estimated to be 242,000 tons or about 16 per cent lower than the previous year's harvest.

The Government has set the agricultural export target at \$1,500m, or 26 per cent higher than the estimated earnings of 1979, for the current year. This would constitute over 54 per cent of total export revenues.

M.M.

Film studios seek end to censorship

AS HE enjoys a quiet drink in a local bar and discusses his yacht with another captain, there is little to distinguish Fikret Hakan from the Istanbul jet-setters who crowd the southern Aegean town of Bodrum, throughout most of the year.

Over six feet tall, with a dazzling smile under a salt-and-pepper moustache, Fikret Hakan is, at 45, the most durable of Turkey's film stars.

"The reason why I prevailed," he said, over a glass of raki, at one of the seaside restaurants, "was that I was lucky. I started playing leads in 1952, before the 'star system' came into being, and when it began to dominate the industry in the early 'sixties, I was already well established."

He has acted in at least 170 films since he played his first lead in a forgettable epic called "The Little Tramps." For that, he was paid TL250 or a little over \$30 at the exchange rate of the time.

This was when the Turkish cinema was beginning to learn "by trial and error," Hakan says—what the cinema was really about, although the first Turkish film had been produced nearly 40 years before.

Documentary

Mack Sennet was filming his "Keystone Comedies" and Thomas Ince "The Battle of Gettysburg" in Hollywood when, in 1914, a 26-year-old reserve officer in the Ottoman Army, Fuat Uzkaya, shot the first Turkish film. It was a short (150-metre) documentary, with the title, "The Destruction of the Russian Monument at Agbia Stephanos."

A few primitive film attempts followed, backed by private individuals, and for 17 years, until 1930, the Turkish cinema was dominated by one man, Mr. Muhsin Ertugrul, the theatre actor and director, who directed 21 of the 22 films made in that period.

Ertugrul's influence continued through the 1940s, and the Turkish cinema was, until 1950, a little more than filmed theatre. A truly cinematic language began to emerge after the enactment of a new law which made film production in Turkey economically viable.

This was the "Law on municipal earnings," which imposed a 50 per cent tax on foreign movies and only 20 per cent on the locally-made productions.

More people went to see the cheaper Turkish films, and the budding production companies renovated their style to compete with the slicker and more watchable imports.

The boom began. By 1966 Turkey was producing the fourth largest number of films in the world.

That was when a new problem arose and is still unresolved. The Board of Censors, autho-

rising by a law dating from 1930 concerning the "duties and rights of the police," began to crack down on "political" films.

A precedent was set in 1966 in the fight against censorship. The censors, who didn't seem to mind sex and violence, mercilessly clamped down on anything which had the faintest hint of a political message. Duvon Sagiroglu, the director of "The Endless Road" (again starring Hakan) filed a suit at the Council of State to have the censorship decision banning his film lifted.

A board of experts—made up of university professors—watched the film and decided there was no harm in showing it. The procedure took about two years and commercially the film was a loss, but it paved the way for other film-makers.

Most critics agree that the real revolution in the Turkish cinema came in the late 1960s with the emergence of Yilmaz Guney. An actor of low-budget shoot-em-ups and dubbed "the ugly king" of the Turkish cinema, Guney saved the money he made from his more popular products to set up his own company. In 1968, he directed "Eyyit Hans," a partly surrealistic fable of love and revenge in eastern Turkey. In 1970, he made what most critics consider his masterpiece, "Umut" (The Hope).

He was working on a film about migrant cotton workers in the Adana area, "Endige" (Dread), when he was involved in a shooting incident in a restaurant. One of the customers—a local magistrate—was killed. Guney was sent to prison for 16 years.

He continues to run his flourishing film and publishing business from prison, writing screenplays and books ("The Herd"), which he wrote, shown at the London Film Festival, was filmed by one of his former assistants, Zeki Okten.

Working on a shoe-string budget, almost constantly in a state of crisis, the industry receives no help from the State. A new Bill prepared under the Government of Mr. Ecevit, the former Premier, was just completed and submitted to the Cabinet by the Ministry of Culture when Mr. Ecevit resigned.

The law was to abolish censorship and set up a Turkish Cinema Institute which would build a modern studio, import equipment and advance credits to private film-makers. It is unlikely that this Bill will be tabled by the Government.

The currency shortage has also hit Yucelcam (Green Pine), the Istanbul street which is the Hollywood of Turkish film-makers. The production of colour feature films, which was 213 in 1976, dropped to 102 in 1978 for lack of film and chemicals for the laboratories.

That was when a new problem arose and is still unresolved. The Board of Censors, autho-

Simon R.

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The arc of crisis

IMAGINE a jigsaw puzzle that has no correct solution. All the pieces are there, but they can be fitted together in a whole variety of different combinations, each of which yields a startlingly different picture. That is the kind of puzzle facing Lord Carrington, the Foreign Secretary, as he ponders what to tell his Cabinet colleagues and Britain's allies about his tour through five Asian countries.

The area he visited, stretching from Turkey, through the Middle East to the Indian sub-continent has been aptly described by Mr. Zbigniew Brzezinski, President Carter's National Security Adviser, as "the arc of crisis". Look at any country in the region, and with the notable and recent exception of India, you will find either present or potential instability.

The Russian invasion of Afghanistan has been superimposed onto a region already grappling with a host of problems of its own: the twin shocks of the Camp David agreements and the Iranian revolution; the emergence of an Islamic consciousness throughout the Moslem world; and—in the oil-rich states—the social strains arising from wealth and rapid development.

Fragments of each of these problems form some of the pieces from which the western world has to put together its Middle East policy. But it is a large puzzle, far too difficult for children. As Lord Carrington found as he travelled through the area, in each country you visit, you find there are more pieces than you had previously bargained for. Each country presented him with a combination of local difficulties, which tended to loom at least as large in local minds as any "big" issue posed by Russia.

His first stop was Turkey, where he found an economy so

deep in debt that even the heating in the Prime Minister's office appeared not to be functioning. Turkey's debt is now close to \$15bn, its debt repayments account for 45 per cent of its export earnings, and by 1982 will be swallowing up 60 per cent. But the instability of Turkey is more profound than the present economic crisis. The country is a cultural and geographic buffer between Europe and Asia on the one hand, Russia and the Mediterranean on the other.

The Turks find themselves torn in a series of different directions at once, never quite sure which represents their true national path. The new Government of Mr. Süleyman Demirel, for instance, is anxious to stress the "Europeanness" of Turkey, its membership of NATO, its aspirations to become a full member of the EEC. At the same time, the Turks want the Arab Middle East to see them as part of the Islamic community and urged Lord Carrington to plead their cause on his tour through the region.

Ataturk legacy

But in the 1920s, Ataturk secularised the state and tried to wrench Turkey out of its Moslem past into what he saw as a European future. The Islamic world's response to Turkey's (not disinterested) overtures is cautious.

After the invasion of Cyprus in 1974, there was a long period of coldness between Turkey and the U.S. Not only was there an embargo on selling arms, but the U.S. Government with its aid programme was not particularly interested in Turkey, while American industrial investment has never been very welcome.

The Russians, therefore, have tried to make themselves in-

dispensable to the Turkish economy in a way reminiscent of their activities in Afghanistan in the late 1950s and early 1960s. Anatolia even uses Russian grid for some of its electricity. Soviet money has financed a steel mill, a petroleum refinery, and an aluminium smelter. One of the key's two new nuclear power stations is to be Russian-financed.

The Turks told Lord Carrington that while they were bitterly opposed to the Soviet action in Afghanistan, economic sanctions were neither in their power nor in their interest (they are trying to use what little surplus grain they have to help pay for importing Russian oil). And in any case, they were far more concerned about the potential for trouble on their eastern border with Iran than with Russia.

With a restless Kurdish population of between 5m and 7m people occupying a third of its land area, the possibility of the balkanisation of Iran and of the setting up of a Kurdish or Azerbaijani republic on or close to its borders, presents Turkey with yet another source of potential cultural fragmentation, and a far greater short-term threat than Russia.

It was noticeable that after his stop in Turkey Lord Carrington began to lay stress on the threat of internal subversion within the region, which could be exploited by the Soviet Union in the Near or Middle East in the same way as was done in Albania. He quickly found that while the threat of subversion was widely recognised, nobody thought that there was any danger to them. The threat in Turkey is tangible—200 political murders are being committed a month.

But on the next three countries Lord Carrington was to visit, there are no political

institutions in the modern sense, and any potential threat to the region lies at varying depths below the surface.

Second stop was Oman, a country which probably has a population of less than 750,000 and which would not be a part of this story at all if it did not lie on the western side of the Straits of Hormuz. But there it is, guarding the West's oil artery, ruled by a remote, 39-year-old hereditary Sultan who is said to have learned the political value of the walkabout on the Queen's visit last year.

The British put him in power in 1970 so that he could drive Oman out of the feudal state in which his paranoid father had been determined to keep it. In nine years, with not a little help from oil income on the one hand and a number of British military and civilian advisers on the other, he has dragged Oman into the 20th century. That is no small achievement.

But as a long-term ally, he has a number of disadvantages from the Western viewpoint. To begin with the rest of the Arab world dislikes his proud isolation, which has led him, among other things, to support Egypt and the Camp David agreements for peace with Israel. For another, he and some of his advisers have some pretty grandiose ideas about their role as a front-line buffer against Soviet aggression.

Fleet project

It was Oman which in mid-summer proposed to the rest of the Gulf States that they should help to finance a fleet of mine countermeasures vessels for \$20m each so that the Oman navy (present size, 17 ships, mostly a patrol fleet) could meet the threat of terrorism in the Straits. The Gulf States

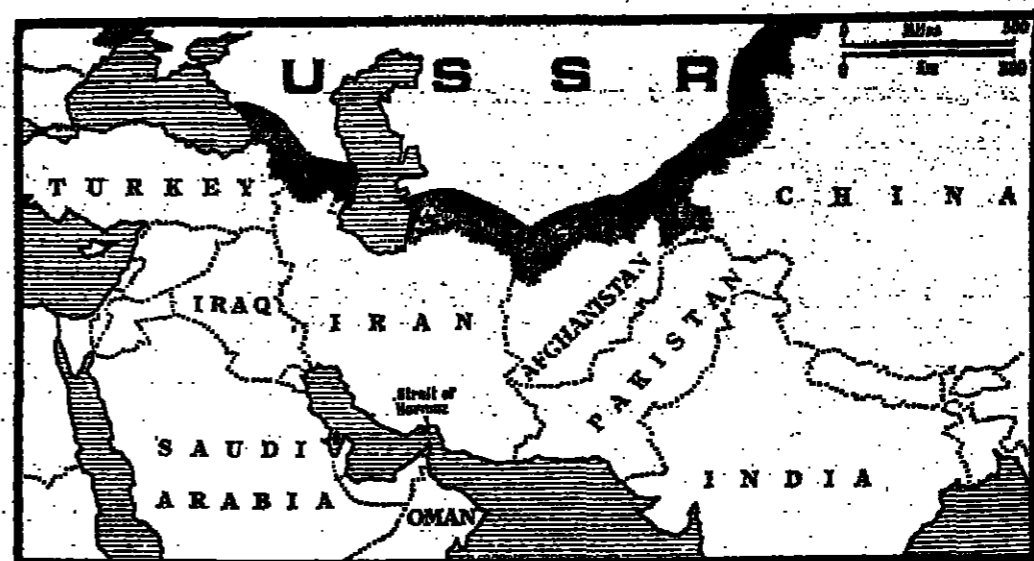
were neither amused nor convinced. Sultan Qaboos and his advisers stressed to Lord Carrington the continuing threat posed by the militantly Marxist regime of South Yemen, which has already made one attempt to dislodge the Sultan through its support for a "liberation movement" in the mountainous Dhofar and is still bent on the destruction of his regime.

There are reports of the Russians building nuclear submarine pens at Aden, and apparently well-documented accounts of a four-day airfight between 10,000 and 15,000 Russian troops into and out of Aden last month. The threat to the region is real enough. The question is whether Sultan Qaboos is the man to meet it.

To his requests for a speedier delivery of a second squadron of Jaguars, for ground radar, and for the continued help of British military personnel, he appears to have received a positive reply. The British say there was no mention of mine-sweepers.

On to Saudi Arabia, where even Lord Carrington, who knows his Middle East, was taken aback by the strength of feeling against Egypt because of Camp David; and into the nexus of the Western world's problems over formulating a viable policy for the region. As long as the Palestinian problem remains unresolved, U.S. relations with the Islamic Middle East will remain strained and highly unstable. As long as the American diplomats are not willing to accept the future of the Islamic movement, the very question of whether there will be a future for it, will remain a matter for open speculation.

There are so many different pieces to this part of the jigsaw, and so many different pictures you can make with them, that



there is space to point out only a few of them. How badly shaken was the House of Saud by the attack on the Grand Mosque at Mecca? The signs are, severely; but it is too early to see how it will affect the future direction of the country.

How long will the Ayatollah Khomeini live, and what will happen when he dies? Will the hostages be got out alive? If so, will the action that the U.S. has to take to release them lose it all the diplomatic ground it has gained in the past month in the Islamic world? It needed only a rumour that the U.S. had been behind the attack on the Grand Mosque for Pakistani students to set fire to the U.S. embassy, an act for which 38 of them are now languishing in President Zia's jails.

Will the shaky regime in North Yemen survive? Or will it fall victim to a combination of internal disintegration, to an attack from South Yemen, or to a combination of both? Will the present U.S. diplomatic offensive in the Middle East help to unlock the Palestinian problem, or will it, as there are already signs that it could, drive Israel further against the wall and cause a counter reaction? How long can Mr. Begin, the Israeli Prime Minister, survive a 100 per cent inflation rate? And if either his weak health or his shaky political base fall, what kind of leader will Israel choose?

The pace of events since President Sadat's visit to Jerusalem and the Iranian revolution and now the Russian invasion of a Moslem country, has been so fast that no one, in or out of the Middle East, can see around the next corner.

Nowhere is this more clear than in Pakistan. Since Christmas, President Zia-ul-Haq has found that a world which feared his nuclear ambitions and winced at his system of government is queuing up to help him and his country. He is at once the handmaid of the West, the Chinese, the Islamic world and the non-aligned movement. The experience has visibly improved his confidence.

Old fears

But even here Lord Carrington found that it was their old fear of India almost as much as the new one of Russia that the Pakistanis wanted to talk about. Likewise in Delhi it was the prospect of re-equipped Pakistan armed forces and of a U.S.-Pakistan-Chinese axis that seemed to be occupying guestioners at Lord Carrington's Press conference.

But it is in Pakistan that the present thrust of U.S. policy, fully backed by Britain, is aimed. From now on, it is the integrity of countries that is to be guaranteed, with less attention being paid to the nature of their rulers. The aim is to

stabilise those parts of the region that seem stabilisable, even at the cost of putting the human rights policy and the nuclear non-proliferation policy on the shelf for the time being.

It is probably the lowest risk policy available, but it is nevertheless fraught with uncertainty. No Middle Eastern country can afford to be seen to be too close to the United States—U.S. support for Israel on the one hand and the downfall of the Shah on the other have seen to that. Then President Zia is not everybody's idea of a safe horse to back. It is not clear how broad is his support in the country. The Pakistan Government's writ has never run in much of the mountainous region on the Afghan border, where tribesmen who have not heard of the Durand line control a band up to 50 miles wide along what could become a disputed frontier. To the west, several million independent-minded Baluchis straddle the border with Iran. The number of stray pieces at the Pakistani end of the jigsaw is startlingly large.

On the aeroplane back from New Delhi, Lord Carrington was asked where he thought the most dangerous potential flash-point lay in the area we had travelled. He ducked the question. The only certainty is that the arc of crisis will not stabilise. It is not that kind of jigsaw.

Product liability

From the Secretary, Product Liability Technical Committee, European Organisation for Quality Control

Sir,—From two items in the last few days it appears that consumer organisations, for whatever reason, seem unwilling to recognise the realities of the cost of consumer protection legislation to manufacturers and, subsequently, to the consumers themselves.

The first is the letter (January 12) from Kate Fuss, of Consumers in the European Community Group (UK) which makes a particular point about the exclusion of "development risk" as a defence by a manufacturer. The second appeared on January 14 and indicated that the National Consumer Council believes that the true cost of product liability to manufacturers is much less than that suggested by the Economist Intelligence Unit.

As, however, it seems that consumers believe that the only cost to manufacturers of protection against product liability cost is that of insurance cover, it might be wise to mention one or two facts. Insurance will not cover the cost of liability for "development risk" claims; insurance will not cover any costs incurred in any recall campaign and they can be very heavy. The American Corning Glass Company is currently involved in a legal campaign of about 18m coffee percolators at a cost estimated at more than \$18m.

There are, of course, the internal overhead costs which are also not covered by insurance. In one large company in the consumer industry it has been estimated that full compliance with the requirements of the EEC directive when it becomes law could amount to more than £5m per annum. On that basis it would not seem that there is much wrong with the estimate of the Economist Intelligence Unit. Except, perhaps, to say that it could well have erred on the conservative side. And all of this will have to be paid for by the consumer in the shape of higher prices.

R. M. McRobb,
Glebe Cottage, Honeydon Road,
Cotmworth, Bedford.

Consultation on steel

From Mr. M. Godfrey

Sir,—Mr. J. R. Carrill of the Teesside Division of the British Steel Corporation (January 15), disagrees with the paper's views on the lack of consultation within the steel industry. He claims that the industry have not heard "the harsh economic facts" and considers the Iron and Steel Trades Confederation to be acting undemocratically in taking strike action.

This is only to be expected. A management vociferously defending an unenviable track record is too busy as it always has been, to listen to the views of its workforce and is now trying to avoid the consequences of failure by passing

the blame on to its employees. A prime example of the depths to which this management can sink is the case of Consett. The harsh economic facts of Consett are that BSC has recently invested £12m there, the plant is making a profit and the workforce is dedicated and hardworking. Their reward is that Mr. Derek Saul, managing director, Teesside Division, has told them that their loyalty is no longer required. Four thousand workers thrown on to the scrapheap. Did Mr. Saul take a vote? Did he even ask them if they had any objections? Where is the consultation, where is the democracy? The workforce cannot understand why a profitable works on which a lot of money has been spent is under the threat of closure.

No, Mr. Carrill, the workforce understands the harsh economic facts all too well. They have seen management embark on a huge spending spree with the taxpayers' money. They have seen much of this wasted. They have taken savage cuts in their numbers. They have increased their productivity. They have accepted cuts in their standard of living amounting to 25 per cent over the last three years. Despite all these concessions management are demanding more and more blood as the price of failure gets higher and higher.

The sales forecasts, the production plans, the investment decisions were all made by management and by management alone. No attempt was made to involve the workforce in these momentous decisions. Where was the democracy in this? Where is the justice now in turning round to the workforce and blaming them? I put it to you, Mr. Carrill, that BSC would not be in the sorry state it is in today if there was democracy within the industry.

M. Godfrey
(Area Staff Committee, ISTC No. 2 Division)
Drinkwater House,
210-212 Marton Road,
Middlesbrough,
Cleveland

History of Consett

From Mr. B. Ashken

Sir,—Christian Tyler's article (January 15) is a fair assessment of the present crisis in the steel industry. Socialism and trade unionism, however, producing in their turn nationalisation, have a lot to answer for in this crisis.

Nationalisation of steel in the mid-1960s produced a monolithic organisation, the Board of which (and many members are no longer with British Steel Corporation), was mesmerised by the vast seaboard steel plants of Japan. This situation made the survival of Consett impossible virtually from the outset because: the ill-fated and ill-conceived Benson Committee, sponsored by the steel makers' own employers' association, had started the rot by recommending that Consett was never able to benefit from a nationalist lobby because the North-East, in steel-making terms, is dominated by Teesside. BSC was conditioned to believe (and probably wanted to in any event) that plant could not operate profitably within the overall corporate plan; and it was damned by the so-called experts who advo-

ated, quite erroneously, that it was the height of commercial folly to have to import iron ore 27 miles from the Tyne.

Consett would not be in its present tragic situation today if more imaginative long-term plans had been evolved by BSC in the late 1960s. Ideally, however, it should have remained under private enterprise because the people of Consett, and what better combination than that of miners and steelworkers, have a determination to win through. Immediately prior to nationalisation, although the company employed 7,000, it was run effectively by only three full-time directors, and lean and hungry management teams are invariably highly successful ones.

In the late 19th century Consett Iron Company provided such social and welfare amenities as schools, parks, houses and hospitals while the local council was virtually a pocket borough. This was to many people the unacceptable face of capitalism but often it was a benevolent despotism.

By the time of nationalisation democracy had taken over providing a dramatic contrast. The company was then controlled by rates 48 per cent of the Urban District Council's income but, of course, with no representation on the local authority. This was taxation without representation—the very cry which lost us the American colonies.

Jobs and economic survival are far more important than egalitarian socialist ideology. Bryan Ashken,
27, Golf Links Avenue,
Tadcaster.

Government debt

From Mr. A. Gray

Sir,—By the year 2,000 the outstanding nominal British Government debt traded on the Stock Exchange is going to be around £470bn. This compares with the current figure of £70bn in round figures.

The relationship between now and then is a 10 per cent compound rate of interest, which is an estimate of the current yield on the £70bn, reinvested each year for 20 years. This is roughly the current position now that the Government is effectively capitalising all its interest payments.

The key to the extrapolation is the use of a "high interest rate" and the outcome, to me, looks very inflationary.

Adrian Gray,
31, Russell Road,
Wimbledon, SW19.

Investing in advertising

From the Managing Director, Colt International

Sir,—Michael Thompson Noel's article on December 27, Mr. J. D. Sutherland's strongly held views of January 4 along with Mr. Hawes' more restrained rebuttal of January 9 do not refer to the most vital ingredient of good advertising.

You don't get the advertising you pay for, but the advertising you deserve. Good advertising

is the outcome of the combined efforts of the advertiser and the agency.

If the advertiser is ignorant and apathetic, as Mr. Sutherland suggests, then he will get what he deserves—bad advertising. It follows that if the advertising is ineffective the responsibility lies more with industrial management than with the agency.

As important as the message itself, is the matter of it reaching the market. If, for example, you aim to sell half your output overseas don't expect publication in the UK Press to help achieve this objective.

We have worked very hard for 11 years with Mr. Hawes' agency. The results overall have been invaluable to both companies. The effort—along with the cash invested—has been most productive and cost effective.

F. W. Price,
Harant, Harant.

Lobby group for families

From Mr. F. Field, MP

Sir,—I am at a loss to understand Mr. D. G. Lindsay's letter (January 14). The only point of substance in it is when he writes that there is no association representing the family through which protest could be channelled. I agree wholeheartedly with this, but Mr. Lindsay is proposing abolishing the only measure which might bring such a lobby into existence.

As I tried to explain (January 8), the introduction of the child benefit scheme has given middle class and working class families with children an interest in common—namely, the building up of a generous cash benefit which went to both rich and poor parents alike. Child benefit is nowhere near high enough, either to redress the discrimination against taxpayers with children which has built up in our tax and benefit system over the last twenty years or, as a service deal humanely and effectively to help bring into existence a family lobby, the basis of which has been laid by the introduction of the child benefit scheme.

But this situation is full of irony. On a number of occasions the Secretary of State for Social Services has been plain that he pays little attention to what is called the "poverty lobby" because they are all chiefs and no Indians. The inference is that Secretaries of State are to be helped by organised groups of people who carry some political clout. And yet when individuals do form such groups—such as trade unions or the Government becomes obsessed about limiting their powers. No doubt the same fate would await the coming of age of a family lobby.

Frank Field
House of Commons, SW1

GENERAL
UK: Mr. John Biffen, Chief Secretary to the Treasury, speaks at a meeting of the Banking and Finance Study Group, Bank of England.

Mr. Michael Heseltine, Environment Secretary, speaks in Leeds.

Mr. Nigel Lawson, Financial Secretary to the Treasury, is among speakers at Financial Times' two-day conference on 1980 Euro-markets, Intercontinental Hotel, London, W1.

U.K. Union of Post Office Workers' special conference on union structure, Bournemouth.

Mr. Peter Shore gives third Thomas Cubitt lecture on

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 23RD JANUARY 1980 AT THE BANK OF ENGLAND, NEW ISSUES (X), WAITING STREET, LONDON, EC4M 8AA OR NOT LATER THAN 3.30 P.M. ON TUESDAY, 22ND JANUARY 1980 AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER".

ISSUED BY TENDER OF £800,000,000
13½ per cent. EXCHEQUER STOCK, 1983
MINIMUM TENDER PRICE £96.75 PER CENT.

PAYABLE AS FOLLOWS
Deposit with tender £80.00 per cent
On Friday, 29th February 1980 Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 22nd MAY AND 22nd NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of the Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. The Stock will be repaid at par on 22nd November 1983.

The Stock will be transferable at the Bank of England or at the Bank of Ireland, Belfast and will be transferable, in multiples of one new penny, by instrument of transfer, in accordance with the Stock Transfer Act 1983. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 22nd May and 22nd November. Income tax will be deducted from payments of more than 15 per cent. Interest warrants will be transmitted by post. The first payment will be made on 22nd May 1980 at the rate of £2.9186 per £100 of the Stock.

Tenders must be lodged not later than 10.00 a.m. on Wednesday, 23rd January 1980 at the Bank of England, New Issues (X), Waiting Street, London, EC4M 8AA or not later than 3.30 p.m. on Tuesday, 22nd January 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.75 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £96.00 per cent of the nominal amount tendered for must accompany each tender; cheques must be payable to a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Exchequer Tender". Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100—£2,000	£100
£2,000—£5,000	£500
£5,000—£20,000	£1,000
£20,000—£100,000	£5,000
£100,000 or greater	£10,000

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. If under-subscribed, the Stock will be issued at the minimum price, the balance of Stock not tendered for being drawn at the discretion of the Treasury. If over-subscribed, all allotments will be made at the lowest price at which tenders are accepted (the allotment price), and tenders at prices above the allotment price will be allocated in full.

Letters of allotment in respect of Stock allotted will be despatched by post at the risk of the tenderer. No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will be refunded by cheque despatched by post at the risk of the tenderer. If an allotment is made the amount paid as deposit will be returned in full. Payment in full may be made at any time after allotment but no account will be allowed on such payment. Default in the payment of the balance of the purchase money by its due date will render the deposit liable to forfeiture and the allotment to cancellation.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Waiting Street, London, EC4M 8AA, or by any of the Branches of the Bank of England, on or before 27th February 1980. Such requests must be signed and must be accompanied by the letters of allotment.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 27th February 1980.

Tender forms and copies of this prospectus may be obtained at the Bank of

Today's Events

Middle East Construction Exhibition, Jeddah (until January 26).

PARLIAMENTARY BUSINESS
House of Commons Debate on the problem of the Northern Region. Bees Bill, remaining stages. VAT (Fuel and Power) (Metrication) Order. Opposed Private Business.

OFFICIAL STATISTICS
Industrial and commercial account, net acquisition of financial assets and net borrowing requirement (third quarter). Construction—new orders

England, New Issues, Waiting Street, London, EC4M 8AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast, BT1 9BN; at the Bank of Canada, 15 Moorgate, London, EC2M 6AN, or at any office of the Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
18th January 1980.

THIS FORM MAY BE USED

TENDER FORM
This form must be lodged not later than 10.00 a.m. on Wednesday, 23rd January 1980 at the Bank of England, New Issues (X), Waiting Street, London, EC4M 8AA or not later than 3.30 p.m. on Tuesday, 22nd January 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Tenders must be in sealed envelopes marked "Exchequer Tender".

ISSUE BY TENDER OF £800,000,000
13½ per cent. EXCHEQUER STOCK, 1983
MINIMUM TENDER PRICE £96.75 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 18th January 1980 as follows:—

Amount of Stock tendered for	Multiple	AMOUNT OF STOCK
£100—£2,000	£100	
£2,000—£5,000	£500	
£5,000—£20,000	£1,000	
£20,000—£100,000	£5,000	
£100,000 or greater	£10,000	

TENDER PRICE (a) £ : P

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £96.75—

Amount of deposit enclosed, being £96.00 per cent of the nominal amount of Stock tendered (or—)

I/We hereby engage to pay the balance of the purchase money when it becomes due on any allotment that may be made in respect of the tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

January 1980 SIGNATURE of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

SURNAME OF TENDERER MR/MRS/MISS OR TITLE

FIRST NAME(S) IN FULL

ADDRESS IN FULL

a The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, the tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

b A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Exchequer Stock". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Please also see Prospectus and Tender form for 12½ per cent Treasury Stock, 2002-2005 on Page 7.

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UK COMPANY NEWS

Sotheby backs confidence with higher spending

THE CAPITAL expenditure programme at Sotheby Parke Bernet Group, some £5.1m for the current year, against £1.6m, best expresses the group's confidence for 1979-80, Mr. P. C. Wilson, chairman, tells members in his annual review.

The major part of the programme is in connection with further expenditure on Sotheby Beresford Adams, the Aeonian Hall, and on the new property in New York—last August a 30-year leasehold interest was acquired in 1,334, York Avenue at 72nd Street, and the group has agreed to exercise an option to purchase the freehold for \$8m.

"It is proposed to make special financial arrangements with our bankers for this project," Mr. Wilson states.

Net auction sales, excluding real estate, have risen from £71.75m to £94.34m for the first four months of the current year, the most significant feature being the 72 per cent advance in U.S. and Canada sales from £27.99m to £42m, the chairman says.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in fact or likely to be paid.

TODAY
Interim — Cray Electronics, Palmerston Investment Trust, Great Northern Investment Trust, Leeds Investment Trust, Moggit.

FUTURE DATES
Interim — Amalgamated Distilled Prod., Jan. 23
BAT Industries, Jan. 23
Bentley, Jan. 23
Denbyware, Jan. 23
Hallite, Jan. 23
Mansel Finance Trust, Jan. 23
Stroud Riley Drummond, Jan. 24
Final — Smallshaw (R.) (Knitwear), Jan. 24
Announced.

But he warns that the group is generally vulnerable to the "continuous pressures of inflation." However, the directors

remain optimistic for the rest of the season.

Mr. Wilson says the date for the hearing of the buyers' premium case is set for October, 1981.

As reported on January 11, despite lower second half profits, pre-tax earnings for the year ended August 31, 1979, rose from £7.02m to £8.23m. Net auction sales amounted to £186.4m against £161.1m. The dividend is lifted to 11.5p (9p) net per share with a final of 8p.

As at balance date where there were net current assets of £5.57m (£5.64m) — bank overdrafts amounted to £4.04m (£1.88m). On a CCA basis profits are reduced to £7.11m (£5.32m) after extra depreciation of £242,000 (£254,000), monetary working capital, £994,000 (£408,000) less gearing £112,000 (£30,000).

Mr. Wilson is to retire as chairman after the annual meeting, and will be succeeded by the Earl of Westmorland.

Meeting, 34-35 New Bond Street, W., on February 11, at 4.30 pm.

Felixstowe Dock £6.5m tender

AN OFFER for sale by tender is being made by The Felixstowe Dock and Railway Company to raise £6.5m.

The issue is of 9.5 per cent Cumulative Redeemable Preference Stock 1984 at a minimum price of £98 per cent, redeemable on December 31, 1984, at par.

Tenders for a minimum of £100 stock have to be made before January 24 with a deposit of £10 per cent on application. The balance of the purchase money will be payable by February 14.

The first dividend will amount to £3.63 per cent, payable on July 1, 1980. Subsequent dividends will be payable half-yearly on January 2 and July 1. European Ferries, which owns 99.99 per cent of the equity, has agreed to provide any necessary funds required to redeem the stock and to pay any arrears of dividend on such redemption.

comment
The Felixstowe Dock issue is being brought to market by Seymour Pierce, the specialists in "waterworks" debt and is designed to appeal to the same investors—those in search of franked investment income. This is extremely unattractive to members of the public, but to a company paying main-stream corporation tax and dividends its grossed-up return is over 20 per cent. Felixstowe itself, so long as it has no main-stream corporation tax to meet, is paying an effective 13.5 per cent running costs. The success of the tender will depend on the fixed interest markets in general over the next couple of days, but it is fully underwritten; the coupon is half a point above what a water company could expect to pay at present.

WALLIS GROUP
The offers by Sears Holdings for the capital of Wallis Fashion Group having become wholly unconditional, Lord Manscroft, Mr. B. H. Osoff and Mr. A. W. Smith have resigned as directors of Wallis. Mr. G. Maitland Smith, Mr. D. J. R. Ward and Mr. H. S. Perlin have been appointed to the Board.

CompAir sees improved year

ALTHOUGH CompAir will have to face severe competition in the industrialised countries, the group has a relatively strong position overseas, Sir William Mather, the chairman, says in his annual review.

"On balance, we hope to see an improvement," Sir William says.

The group will also be giving greater emphasis to measures to raise the level of asset utilisation and to reduce costs, says Mr. A. F. Masters in his chief executive's review.

Despite the limited scope for further sales expansion in the year ahead "we believe that by these means, we may be able to achieve an advance in profits," Mr. Masters says.

For the year ended September 30, 1979, pre-tax profits were down from £11.58m to £8.36m despite a rise in turnover from £147.35m to £163.56m.

Profit on a CCA basis is reduced to £4.1m (£7.3m) after adjustments for depreciation, £1.8m (same), cost of sales, £4.9m (£4.5m) and gearing, £1.9m (£1.6m).

During the year plans were completed for a major reorganisation of the UK distribution network. Some 30 distributors will progressively take on combined franchises for the group's standard products leaving the CompAir sales force free to concentrate on buyers with specialised requirements.

There were a number of significant changes to the balance sheet, the net effect of which was to increase shareholders' funds by £5.88m.

The major item was the incorporation of a revised valuation of the group's properties showing a surplus over net book values of £13.5m. The group also adopted SSAP19 which resulted in the transfer of £7.68m to reserves.

As a result of this tidying up, the balance sheet presents a more realistic view of the group's financial strength, the chairman says. The gearing ratio at 35 per cent is reasonably conservative and the group is in a sound position to cope with all its likely requirements.

Meeting, 75 Mark Lane, EC, February 13 at noon.

Raeburn earns and pays more

TAXABLE REVENUE of Raeburn Investment Trust advanced from £2.02m to £2.8m in the year to November 30, 1979.

After tax of £1.04m (£773,491), earnings per 55p share are stated up from 4.42p to 5.71p. Net asset value is 157.5p against 158.7p.

The dividend is stepped up from 4.05p to 6.35p with a final of 4p, which includes 0.5p in respect of dividends received from Shell and Unilever.

CARTER/WESTGATE
Westgate Refrigeration of Cardiff, has become a subsidiary of Carter Thermal Industries Group, based in Birmingham.

In addition to his group chairmanship, Mr. W. H. Rollason, is appointed chairman of the new subsidiary.

Westgate will provide facilities for Carters extending its range, aimed at the hotel, restaurant and licensed trades.

SPAIN
High Low Jan. 18 Price %

High	Low	Jan. 18	Price	%
310	200	Banco Bilbao	200	
353	204	Banco Central	225	
222	150	Banco Exterior	211	
226	200	Banco Hispano	212	
174	136	Banco Ind. Cat.	135	
213	175	Banco Madrid	176	
246	203	Banco Santander	206	
280	169	Banco Uruguay	165	
285	202	Banco Vizcaya	215	
281	185	Banco Zafra	205	
220	100	Dragados	106	
99	98	Espanola Zinc	98	
67	64	Facsa	69	
76	21.5	Gal. Preciados	35.5	
77.5	62.75	Hidroila	65.7	
76	52	Iberdrua	59	
138	110	Petrolas	117	
136	73	Petrubler	73	
130	115	Sogefisa	115	
82	53	Telefonos	57	
87.5	55	Union Elect.	65.2	

The Republic of Panama

U.S. \$50,000,000

Floating Rate Serial Notes due 1991

For the six months 21st January, 1980 to 21st July, 1980

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 14 1/2 per cent. per annum, and that the interest payable on the relevant interest payment date, 21st July, 1980 against Coupon No. 2 will be U.S. \$742.93

The Industrial Bank of Japan, Limited
Agent Bank

M. J. R. Nightingale & Co. Limited
27/28 Leat Lane London EC3R 8EB Telephone: 01-621 1977

2000's capitalisation	Company	Last Change	Gross price on week DV (p)	Yield %	P/E
4,220	Aireprun	75	-1	8.7	8.2
1,000	Ambridge and Rhodes	40	+2	3.8	9.5
8,330	Bardon Hill	225	+3	13.8	8.1
6,420	Deborah Ord.	83	-	5.0	8.4
700	Deborah 17% CULS	380	-	17.0	8.6
3,445	Frank House	92	-	7.9	8.9
15,002	Frederick Parker	108	-2	12.8	11.9
2,226	George Blair	105	-3	10.5	15.7
1,500	Jackson Group	80	-	5.7	4.7
10,010	James Burrough	118	+1	7.2	8.2
2,550	Robert Jenkins	250	-	31.2	12.5
3,431	Torday	22	+3	0.8	3.7
4,915	Tynelock Ord.	22	+1	14.3	6.4
2,075	Tynelock 12% ULS	76	-	12.0	16.0
7,313	Unilever Holdings	59	-	4.4	5.4
10,000	W. S. Yates	81	+1	11.5	8.2
4,317	W. S. Yates	185	+1	11.5	8.2

† Accounts prepared under provisions of SSAP 15.

KOZANOGLU CAVUSOGLU CONSTRUCTION COMPANY LTD.

This is a correction notice for the above Company's advertisement which appears in today's Survey of Turkey.

Please note that Head Office telex numbers should read 26474 and 26318 and not 23674. Add Tripoli Office telex number 20503.

Union Commerce Bank (Cleveland)

European Representative Office

has moved to

104-106 Leadenhall Street, London EC3

Telephone: 01-623 8341 Telex: 886339

Jack H. Jessen

Vice President and Senior Representative—Europe

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 25.1.80.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	13 1/2	13 1/2	13 1/2	13 1/2	14	14	14	14

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-828 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

PLANT & MACHINERY SALES

- 1) ROLLING MILLS
12in x 30in x 35in wide x 400 hp Four High Reversing Mill.
5in x 12in x 10in wide variable speed Four High Mill.
3.5in x 8in x 9in wide variable speed Four High Mill.
18in x 16in wide fixed speed Two High Mill.
10in x 12in wide fixed speed Two High Mill.
6in x 6in x 20in wide Four High Mill.
- 2) CUT/LENGTH LINE 1,500 mm x 3 mm x 15 ton coil.
- 3) CUT/LENGTH LINE 1,000 mm x 2 mm.
- 4) CUT/LENGTH LINE 750 mm x 2 mm.
- 5) CUT/LENGTH LINE 400 mm x 3 mm.
- 6) WIRE FLATTENING AND NARROW STRIP ROLLING MILL two stand by R.W.F. 10in x 8in rolls.
- 7) SLITTING LINE 920 mm x 10 ton coil by Cam.
- 8) SLITTING LINE 300 mm x 1 ton coil by Cam.
- 9) SLITTING MACHINES 36in and 48in by Weybridge.
- 10) PLATE SHEAR 4ft x 16in Cincinnati.
- 11) GUILLOTINE 8ft x 0.125in Pearson.
- 12) No. 1 RCEP SCRAP SHEAR, 75 x 35 mm Bar.
- 13) SHEET LEVELLING ROLLS, 920, 1,150 and 1,850 mm wide.
- 14) HYDRAULIC SCRAP BAILING PRESS, Fielding & Platt.
- 15) FORGING HAMMER 3 cwt, slide type, Massey.
- 16) VERTICAL WIRE DRAWING BLOCKS 24in dia x 25 hp Farmer Norton.
- 17) AUTOMATED COLD SAW, non ferrous, Noble & Lund.
- 18) WIRE DRAWING MACHINE, MARSHALL RICHARDS' VARI-ABLE SPEED 6 BLOCK PACEMAKER (25 hp x 22in. in line, non-slip Drawblocks).
- 19) 1972 WIRE STRAIGHTENING AND CUT-TO-LENGTH MACHINE. Capacity 10 mm dia. m.s.
- 20) TWO HORIZONTAL DRAW BLOCKS 36in and 24in. Farmer Norton.
- 21) WIRE DRAWING MACHINE 5 DIE cone type, Unity.
- 22) WIRE DRAWING MACHINE 15 DIE cone type, Marshall Richards.
- 23) NINE BLOCK WIRE DRAWING MACHINE AND SPOOLER, by Barcroft (24in x 25 hp drawblocks).
- 24) TWO TAPES ROLLING MILLS by Dece (150 x 100 mm x 15 hp rolls and 110 x 100 mm x 10 hp rolls).
- 25) HIGH SPEED AUTOMATIC CENTRELESS BAR TURNING MACHINE (1977) max. capacity 38 mm bar.

Wedgebury Machine Co. Ltd.
Oxford Street, Bolton.

Tel: 0902 42541/2/3. Telex: 336414

WICKMAN 11 6SP AUTOMATIC, reconditioned to maker's limits.
WICKMAN 11 6SP AUTOMATIC, rebuilt to maker's limits.
WICKMAN 21 6SP AUTOMATIC, reconditioned to maker's limits.
CONOMATIC 31 6 SPINDLE, reconditioned to maker's limits.
RHODES 80 TONS PRESS, ad. stroke, roll feeds. As new.
HME 200 TONS PRESS TYPE C28, roll feeds. Excellent.
NATIONAL COLD HEADERS 1in x 1/4in dia. Record. Excellent.
200 TON HYDRAULIC PRESS, bed 36in x 22in. Excellent.
450 TON HYDRAULIC PRESS, bed 36in x 24in. Excellent.
AIR COMPRESSORS (2) 400 p.s.i., 400 c.f.m. Oil free, 2-stage, 100 h.p., motor. Complete installation including air receivers. Can be inspected under power.

Rolls Tools Ltd.
154/6 Blackfriars Road, London SE1 8EN
Tel: 01-928 2131. Telex: 246771

NOTICE OF ISSUE

Application has been made to the Council of The Stock Exchange for the undermentioned Preference Stock to be admitted to the Official List.
Full particulars of the Stock are available in the Exel Statistical Service and may be obtained during usual business hours from Messrs. Seymour, Pierce & Co., 10 Old Jewry, London EC2R 8EA.

The Felixstowe Dock and Railway Company
OFFER FOR SALE BY TENDER OF
£6,500,000
9.5 per cent. Cumulative Redeemable Preference Stock, 1984
(which will mature for redemption at par on 31st December, 1984)Minimum Price of Issue £98 per £100 of Stock
Yielding at this price, together with the associated tax credit at the current rate, 213.84 per cent.

The issue has been underwritten by Seymour, Pierce & Co.

This Stock is an investment authorised by Section 1 of the Trustee Investments Act, 1961 and by paragraph 1 of Part III of the First Schedule thereto.

A deposit of £10 per £100 nominal amount of Stock applied for must accompany each Tender, which must be sent to Lloyd's Bank Limited, Registrar's Department, Issues Section, 111 Old Broad Street, London EC2N 1AU in a sealed envelope marked "Tender for Felixstowe Stock" so as to be received not later than 11 a.m. on Thursday, 24th January, 1980, before which no allotment will be made. The balance of the purchase money will be payable on or before Thursday, 14th February, 1980. Tenders must be for a minimum of £100 Stock applied for and above that in multiples of £100. A separate remittance must accompany each Tender, and Tenders at different prices must be made on separate forms.

DIVIDENDS

This Stock is entitled to a cumulative preferential dividend at the rate of 9.5 per cent. per annum and no tax will be deducted therefrom. Under the imputation tax system, the associated tax credit at the present rate of Advance Corporation Tax (37 1/2% of the distribution) is equal to a rate of 4 1/4 per cent. per annum. The preferential dividends are payable in priority to dividends on the ordinary capital of the Company.

The first dividend on this 9.5 per cent. Cumulative Redeemable Preference Stock, 1984, covering the period from the 24th January, 1980 to 30th June, 1980, amounting to £2.62 (the associated tax credit at the present rate being £1.55) per £100 of Stock, will be payable on 1st July, 1980. Thereafter dividends calculated to 31st December and 30th June will be payable half yearly on 2nd January and 1st July in each year.

GUARANTEE OF REPAYMENT AND DIVIDENDS

European Ferries Limited ("EFL"), which owns 99.99 per cent. of the issued share capital of the Company, has agreed to provide any necessary funds required to redeem the 9.5 per cent. Cumulative Redeemable Preference Stock, 1984 and to pay up any arrears of dividend on such redemption.

BUSINESS AND HISTORY

The Company (incorporated as the Felixstowe Dock and Railway Company in 1875) carries on, under statutory powers, a port undertaking at Felixstowe. In 1951, Mr. Gordon Parker, now Life President, acquired control and a comprehensive programme of rehabilitation and development was commenced. This has resulted in the Port of Felixstowe becoming amongst the most modern and efficient port complexes in the world.

In November 1971 EFL acquired all the share capital of Atlantic Steam Navigation Company Limited ("ASN"), which operates under the name "Townsend Thoresen" and provides a regular roll-on service for commercial and tourist traffic. In March 1976, pursuant to an offer, the Company became a subsidiary of FFI.

The Port now contains over 4,000 feet of quay space and berths at depths between 22 feet and 33 feet at LWOST. In addition, there is a tanker berth suitable for tankers up to 25,000 tons deadweight.

Services from the Port principally consist of container, roll-on/roll-off and general cargo services to North and South America, Europe, Scandinavia, West Africa, the Mediterranean, the Middle and Far East, Iceland and the Caribbean together with car and passenger ferry services to Europe and Scandinavia.

The present indications are that the growth of traffic over the next five years will result in the Port handling in excess of 8 million tons of cargo, including some 400,000 containers, by 1985. In addition it is estimated that about 850,000 passengers will have passed through the passenger terminals in 1979 with at least 1 1/4 million by the mid-1980's.

PRESENT POSITION AND FUTURE PROSPECTS

The Felixstowe Dock and Railway Act 1973 recently received the Royal Assent. It empowers the Company to build a further 3,500 feet of quay as an extension of the Northern Development. The Company's immediate proposal is to construct about 1,400 feet of new quay wall and reclaim about 60 acres of seabed and foreshore. Harwich Harbour Conservancy Board ("the Board") have agreed to dredge the main channel to an increased depth of 30 feet at LWOST. The Board has obtained finance for the purposes of this dredging and the Company has agreed to guarantee the repayment of an estimated £2.75 million of capital together with interest on this finance in so far as the repayments cannot be met by the Board out of certain agreed revenues. As part of the arrangements with Orient Overseas Containers (Holdings) Limited referred to below it has agreed to guarantee the Company's liability to the Board. The first 400 feet of the new quay structure and back up land will be used as an overspill container terminal for new and existing customers with a deep water berth of some 35 feet at LWOST.

ORIENT OVERSEAS CONTAINERS (HOLDINGS) LIMITED ("OOCHL")
OOCHL, one of the C.Y. Tung Group of companies, is a holding company, incorporated in Hong Kong, which owns majority shareholdings in certain companies which are owners or charterers of OOCHL ships. The Company has entered into an agreement with OOCHL under which the Company undertakes to provide 1,000 feet of new quay with a new terminal, which will be leased to OOCHL, or one of its subsidiaries, for a period of 35 years.

The Company has also entered into a 35 year agreement with OOCHL ("the Management Agreement") for the provision of labour and other services in relation to the new terminal.

FINANCING OF THE NEW DEVELOPMENTS

It is estimated that the cost of all the proposed new works, including pre-completion interest, will be approximately £27 million. Of this £27 million, Finance for Shipping Limited ("FSL") has agreed to provide a secured loan of up to £11.7 million. The loan which is guaranteed by FSL is to be repaid by 26 half-yearly payments of £450,000 each, commencing on 30th June, 1984. As a condition of the loan from FSL, EFL has agreed that £7.5 million of the secured loans (together with the amount, if any, by which the net proceeds of this issue fall below £5 million) which it has made to the Company will not be repayable until the loan from FSL has been repaid. A further £9.5 million of the total cost relates to plant and equipment. Of this sum £4 million will be serviced by the Company under leasing facilities and OOCHL will provide the balance of £5.5 million. The remainder of the finance will be provided by the proceeds of this issue and from the Company's own resources. It is expected that the total capital cost, excluding pre-completion interest, of the facilities to be provided by the Company for OOCHL will amount to approximately £11.7 million and that this amount, together with the interest thereon, will form the basis of the rent to be paid under the lease to be entered into with OOCHL or its nominated subsidiary.

PROFITS AND DIVIDENDS

The Directors estimate that, in the absence of unforeseen circumstances, the surplus before taxation of the Company for the year ended 31st December, 1979 will be similar to that for the year ended 31st December, 1978 which amounted to £1,478,000. It is anticipated that there will be no taxation charge in respect of 1979.

Copies of the Prospectus and Tender Form, on the terms of which alone Tenders will be considered, may be obtained from—

Seymour, Pierce & Co.,
10 Old Jewry,
London EC2R 8EA

The Felixstowe Dock and Railway Company,
European House, The Dock,
Felixstowe, Suffolk IP11 8TB

Lloyds Bank Limited,
Registrar's Department, Issues Section,
111 Old Broad Street,
London EC2N 1AU

UK TRADE FAIRS AND EXHIBITIONS

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Boat Show (01-409 0956) (until Jan. 27)	Dusseldorf
Current	International Commercial Motor Show (until Jan. 26)	Geneva
Current	Middle East Construction Exhibition (01-215 7577) (until Jan. 26)	Jeddah
Jan. 22-26	International Exhibition for Agricultural Mechanisation—AGROMEK	Herning
Jan. 25—Feb. 3	International Green Week (01-540 1101)	Berlin
Jan. 28—Feb. 1	Canada Farm Show	Toronto
Feb. 1-4	International Stationery Show—SIPPA (01-439 3964)	Paris
Feb. 1-10	International Boat Show	Vancouver
Feb. 2-5	International Textile and Fabrics Trade Fair—DYVEREX	Sydney
Feb. 4-8	International Jewellery, Gold and Silver Exhibition—Jewelmax (01-580 5816)	Bahrain
Feb. 7-11	Men's Fashion Show—PITTI UOMO	Florence
Feb. 9-15	International Games and Toys Exhibition (01-439 3964)	Paris
Feb. 11-14	Israeli Fashion Week (01-937 8050)	Tel Aviv
Feb. 11-15	Environmental Pollution Control Techniques Exhibition—ENVITEC (01-409 0956)	Dusseldorf
Feb. 11-21	International Paris Boat Show (01-439 3964)	Paris
Feb. 17-21	Middle East Machinery, Light Industry and Plant Maintenance Show (021-454 4416)	Bahrain
Feb. 19-22	Techex 80 World Fair for Technology Exchange	Atlanta, U.S.
Feb. 22-30	International Men's Fashion Week (01-409 0956)	Cologne
Feb. 26-29	World Fair of Technology Exchange—TECHEX (01-584 5743)	Copenhagen
Feb. 28-29	Offshore South East Asia Exhibition (01-486 1951)	Singapore
Mar. 2-9	International Agricultural Exhibition (01-439 3964)	Paris
Mar. 16-20	Middle East Business Equipment Show (01-486 1951)	Bahrain

Jan. 21-22	FT Ciferance: The 1980 Euromarkets Conference (01-236 4382)	Inter-Continental Hotel, W1
Jan. 23	IPS: Purchasing Computers for the Small and First Time Users (0890 23711)	London
Jan. 23	CCC: Retention of Title-Resolving Conflicts Between Manufacturers, Lenders and Suppliers (01-222 6363)	London Press Centre, EC4
Jan. 24-25	World Policy Forum: International Forum on the Future of Gas as World Energy Resource (0444 51507)	Vienna
Jan. 29-31	CCC: Practical Guide to Standard Form of Building Contract (01-222 6362)	Lythe Hill Hotel, Haslemere
Jan. 30-Feb. 1	AMR: Finance and Accounting for the Non-Financial Executive (01-263 2732)	London Press Centre, EC4
Feb. 7	Oyez-EC: Children in Tax Planning (01-242 2481)	Holiday Inn, NW3
Feb. 7	ASME: The legal implications of engineering contracts (01-385 1992)	Piccadilly Hotel, W1
Feb. 7	Admap: Classifying People (01-379 6676)	Royal Garden Hotel, W8
Feb. 8	CCC: Absenteeism-Developing Company Policy Within the Law (01-222 6363)	Europa Hotel, W1
Feb. 11-12	AMR International: Positive Discipline (01-262 2732)	Grosvenor House Hotel, W1
Feb. 13-14	RRG Conferences: Captive Insurance Companies-Establishment, Operation, Management (01-236 2175)	Portman Hotel, W1
Feb. 18-19	AMR International: Energy Management in Buildings (01-262 2732)	Cumberland Hotel, W1

Tel: 01-236 4382
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

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1. *Journal of the American Medical Association*, 1990; 263: 1025-1028.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

AUTHORISED UNIT TRUSTS

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OFFSHORE & OVERSEAS FUNDS

Continued on previous page

INSURANCE—Continued[illegible]**PROPERTY—Continued**[illegible]**FINANCE LAND—Continued**[illegible]**MINES—Continued**[illegible]

CENTRAL AFRICAN

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NOTES

- Unless otherwise indicated, prices and net dividends are in pounds and denominated in £P. Estimated profitability ratios assume covers are based on latest annual reports and accounts and, where available, are calculated on a constant basis. They are calculated on a "net" distribution basis, earnings per share being computed on profit after taxation and nonvoted ACT where applicable. Dividend yields are calculated on the basis of the dividend attributable to "net" distributions. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses and net dividend income. Dividend yields are calculated on the basis of net prices, are gross, adjusted to ACT at 30 per cent and allow for value of declared dividend and rights.
- "Stop" Stock.
- For Cash Calls.
- Highs and Lows marked have been adjusted to allow for rights.
- For Cash Calls.
- Interim issue increased or resumed.
- Interim issue reduced, passed or deferred.
- Interim issue suspended.
- Interim issue suspended.
- Unlisted security.
- For Cash Calls.
- Indicated dividend after pending stock and/or rights issue: covers relate to previous dividends or forecasts.
- Same figure but reorganisation in progress.
- Not comparable.
- Estimated reduced final and/or reduced earnings indicated.
- Previous dividend; cover on earnings updated by latest interim.
- Cover allows for conversion of shares not now ranking for dividends or rankings only for restricted dividend.
- Dividend and/or rights issue may rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.
- Yield based on Accounting Treasury Bill Rate stays unchanged until the end of a Tax free. B. Figure based on prospectus or official estimate. C. Dividend rate paid or payable on part of capital; cover based on dividend on full capital. A. Redeeming yield based on prospectus or official estimate. D. Dividend and yield based on prospectus or official estimate. E. Dividend and yield based on prospectus or official estimate. F. Dividend and yield based on prospectus or official estimate. G. Dividend and yield based on prospectus or official estimate. H. Dividend and yield based on prospectus or official estimate. I. Dividend and yield based on prospectus or official estimate. J. Dividend and yield based on prospectus or official estimate. K. Dividend and yield based on prospectus or official estimate. L. Dividend and yield based on prospectus or official estimate. M. Dividend and yield based on prospectus or official estimate. N. Dividend and yield based on prospectus or official estimate. O. Dividend and yield based on prospectus or official estimate. P. Dividend and yield based on prospectus or official estimate. Q. Dividend and yield based on prospectus or official estimate. R. Dividend and yield based on prospectus or official estimate. S. Dividend and yield based on prospectus or official estimate. T. Dividend and yield based on prospectus or official estimate. U. Dividend and yield based on prospectus or official estimate. V. Dividend and yield based on prospectus or official estimate. W. Dividend and yield based on prospectus or official estimate. X. Dividend and yield based on prospectus or official estimate. Y. Dividend and yield based on prospectus or official estimate. Z. Dividend to date.

ent Issues " and "Rights " Page 16

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MAYSON
Manufacturers of
Europe's widest range
of heating, ventilation,
air conditioning and
refrigeration equipment.

CONTRACTORS WHO CARE
Rush & Tompkins
Builders & Civil Engineers

Biffen hints at new NHS charges

By Elinor Goodman, Lobby Staff

A POSSIBLE EXTENSION of charges for public services was floated at the weekend by Mr. John Biffen, Chief Secretary to the Treasury. Mr. Biffen said that Ministers prepared for tough negotiations with the House of Commons in charge of spending departments, and the country at large.

Answering questions after a weekend speech, he said the Government was having to consider making people pay for State services which are now free, such as doctors' visits and hospital beds, because of the difficult outlook for the economy. In the search for another £1bn of cuts in domestic spending next year, he implied, very few programmes were regarded as sacred.

Uneasy

The Prime Minister had hinted at another round of cuts in a speech to back-benchers before Christmas. These had been expected to include the de-indexing of certain short-term social security benefits, a big increase in council house rents and more cuts in education spending. But in his speech at the weekend, Mr. Biffen made it clear that the National Health Service could not automatically be exempted from the review.

The tone of his speech may well worry some of his Cabinet colleagues, as well as Tory back-benchers who are beginning to get uneasy about the increased prices the Government is itself feeding into the system.

Though many Conservatives believe that the Government should do more to cut out the "fat" in public spending, some of the newer MPs may query the implications of cutting the real value of short-term security benefits, given the likely rate of inflation. Introducing new charges on the NHS would provoke a savage attack from the Opposition, which could embarrass some Ministers.

Question

So far, negotiations over the next round of cuts have been conducted on a bilateral level. The Treasury has held a series of separate meetings with different Departments. Ministers expect to begin discussing the proposals in Cabinet shortly. There are signs that some Ministers will question the Treasury's reliance on cutting expenditure.

Mr. Biffen's speech seemed pessimistic about the future, Britain, he said, faced "three years of unparalleled austerity."

Steel

Although they agree that it would be disastrous for the Government to be seen to back away from its cash limit policy, they believe there is more room for manoeuvre within BSC's limit on external financing than Sir Keith has said.

They claim to have Mrs. Thatcher on their side. But Downing Street insisted that Mrs. Thatcher's position had not altered and that she fully supported Sir Keith's prescription.

● The Government faces another possible trade union crisis over the related issue of BSC's proposed cut of plant and of 50,000 more steel jobs.

The TUC General Council on Wednesday will decide whether to issue an ultimatum for withdrawal of those plans.

TUC leaders are taking very seriously the possibility of a backlash from a wide range of trade unions that could develop into something approaching a general strike.

C.W. McMahon

A PRINTING error in the *Man of the Week* feature on Mr. Christopher "Kit" McMahon, the new Deputy Governor of the Bank of England, on the back page of Saturday's paper totally distorted the meaning of part of the final paragraph. This should have read: "Mr. McMahon's role as policy co-ordinator provides him with the opportunity to make his mark." The *Financial Times* apologises for the error.

Petrol cheaper

MOTORISTS IN five urban areas who buy their petrol by the litre are finding it cheaper than by the gallon.

The Carrefour hypermarket chain is charging 24p a litre, which works out at about £1.11 a gallon, against £1.20 plus at the average service station.

At Carrefour, Birmingham, sales have recently soared well over the normal rate of 3m gallons (13.63m litres) a year.

EEC fibre producers abandon prices cartel

BY GILES MERRITT IN BRUSSELS

EUROPE'S 11 leading man-made fibre producers will tell the EEC Commission today that their controversial market-sharing prices cartel has been abandoned. Instead they will launch "gentlemen's agreements" intended to discourage Italian price-cutting.

The decision by the synthetic fibre producers to scrap the cartel comes only days before the expiry of the January deadline that the Commission's competition authorities had set for legal proceedings to be opened against the companies.

Negotiations in Italy last week between representatives of the fibre industry and the main Italian producers, Montefibre and Snia Viscosa, have yielded a compromise formula that the Commission is expected to accept.

In place of the market-sharing agreement concluded in mid-

1977, which guaranteed increased sales to the Italian manufacturers, the main "northern" EEC producers are to contract bilateral arrangements with their Italian competitors.

Under these "gentlemen's agreements," Italian synthetic fibre will be voluntarily purchased by other European producers. The purpose of the original prices cartel was to avert a European price war being started by the Italian industry, which has over-invested in new capacities, only to find demand slackening.

The cartel that ceded Italy a greater share of northern EEC markets for man-made fibres, was backed by Viscount Etienne Davignon, the EEC Industry Commissioner. But it has faced persistent opposition from M. Raymond Voeel, the EEC Competition Commissioner, who has objected that it is a

flagrant breach of the Treaty of Rome.

Successive attempts by the competition authorities to force the abandonment of the cartel had been blocked inside the Brussels Commission because of the industry's serious financial losses. But at the end of last year Voeel made it plain he intended to take the producers before the European Court of Justice unless the market-sharing pact was dropped.

The only agreement that will in future exist between the EEC man-made fibre industry major groups in the Paris-based Comité International de la Rayonne et des Fibres Synthétiques is the agreement governing cutbacks in production capacities.

When the prices cartel was formed, these scheduled cutbacks were agreed as a complementary element to the market-sharing deal.

Eastern may double European Airbus fleet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EASTERN AIRLINES of the U.S., which is already buying a fleet of 25 European A300 Airbus worth about \$800m, is considering a further deal which through the 1980s could double the size of its Airbus fleet.

Although no decisions have yet been taken, top officials of the airline make no secret of the fact that they would have liked to have more of the aircraft. Eastern is America's second biggest airline. It carried over 42m passengers last year.

The Airbus is proving popular with Eastern's passengers. It is also the most fuel-efficient aircraft in its 245-strong fleet. Fuel consumption is about 34 per cent less than the average con-

sumption of all its other aircraft, including Lockheed TriStars and Boeing 737s. As fuel prices continue to soar, this fuel economy is bound to stimulate further demands for the Airbus.

The airline has already taken delivery of 14 of the 25 A300 Airbuses it has on order. It also has an option on another nine and a "conditional option" on 25 of the smaller 200-seat A310 version.

Eastern is expected to obtain its additional Airbuses by converting the existing options for nine A300s into a firm order later this year. It may then acquire further aircraft by converting part of the option of the

A310s into a firm order for some of the bigger A300s.

Eastern makes it clear that it does not really need an aircraft of the smaller A310 size now that it also has on order 24 of the new 170-200 seater Boeing 737 jet liners. The latter, it believes, can do the same kind of job as the A310.

At about \$35m for each A300, Eastern's plans could cost it at least another \$800m which is a very severe financing operation to undertake. However, top officials of both the airline and Airbus Industrie met in New York recently and it is possible that some kind of a deal may be announced within the next few weeks.

British Airways may separate business and holiday traffic

BY JOHN LLOYD

BRITISH Airways may operate separate aircraft for businessmen and holidaymakers, as one of a number of measures soon to be introduced on its European services.

The airline is understood to be worried that its business travellers may feel squeezed out by the burgeoning holiday traffic.

It is also considering dropping the first-class cabin on European flights, and replacing it with a "club" or business-class cabin. A decision on this plan is expected to be announced in about a month.

British Airways estimates that by 1986 business travellers will account for 6m—or 20 per cent—of their 30m passengers a year.

In an interview with the

Director magazine Mr. Roy Watts, the airline's chief executive, said: "We must be careful we do not head off in the direction where the only aircraft available has 400 seats with booking three weeks ahead. Businessmen will not thank us in five years' time if the only way they can get round Europe is on a charter flight."

Confirming that a number of proposals were being studied, the company said yesterday that it already had a separate business flight, in Concorde.

Lynton McLain writes: Concorde, which celebrates four years of service with British Airways and Air France today, cost the British and French governments a total of £821m from the start of the project in

the early 1960s to the end of last year.

Mr. Michael Marshall, Under-Secretary for Industry, said in the Commons on Friday that development of the aircraft had cost £585m and production £449m up to the end of December.

Against the total the governments had received £211m from the sale of the aircraft.

In the 12 months to December 31, development cost £22m and production work £27m. Receipts of £20m for aircraft sales gave a net cost last year alone of £25m.

Mr. Marshall said the net annual cost was expected to reduce progressively this year, as in-service expenses declined and as costs were increasingly offset by the sale of spare parts.

The Dutch Noho biscuits company: French La Croix soup; German Baustert snacks and UK Nourthy Foods.

The company has undergone a series of divestments since Mr. Lyman Hamilton succeeded Mr. Harold Geneen, the long-time chairman, over three years ago.

Though Mr. Hamilton was himself replaced suddenly by Mr. Rand Araskog last August, it has been made clear that these will continue.

The overriding policy in the company now appears to be to bring it down to what are seen as its main strengths, telecommunications, electronics and some light engineering products, which is in sharp distinction to the massive diversification the company underwent in the 1960s and 70s under Mr. Geneen.

The consumer products and

services group is clearly the prime target. It shows the lowest profits—\$45m on group turnover of \$3.6bn in 1978—and its large European consumer appliances division lost \$11m in that year.

That division saw substantial cuts in 1979 as the company shut down a number of television plants, reportedly the most unprofitable activity in the group, and concentrated TV sub-assembly manufacture in three main centres in France, West Germany and the UK.

Though ITT food products worldwide made a profit of \$29m in 1978, it seems likely that its European activities, with the chemicals and cosmetics companies, will be entirely sold off.

The company does not yet appear to have divested itself of the Payot cosmetics subsidiary in France.

Record exports

MASSEY-FERGUSON's exports of industrial machinery reached a record \$33m last year and represented nearly 60 per cent of its total UK production of this type of equipment.

This production, which includes tractor loaders and digger loaders, also reached a record level, with more than 3,000 sold in UK and export markets.

The company said that its sales of this equipment have now achieved "top three" status in 12 European countries.

Continued from Page 1

'Annual time budget'

The CBI's director of social affairs, said there was broad agreement with the TUC on the issues of employment and technology but that there were also some "sharp differences" because the unions did not pay sufficient attention to the need for improved productivity and profitability.

The Equal Pay and Opport-

Three held in Japanese spy scare

By Richard C. Hanson in Tokyo

JAPANESE POLICE have arrested a former major general and two active junior officers of the ground self defence force in what may be the most controversial espionage case involving the Soviet Union in Japan's post-war history.

The officers may have sold the Soviets information on Japan's military equipment and strategic policies, as well as intelligence relating to China (which may have been passed on through U.S. sources), according to Japanese Press reports.

First Lieutenant Eiichi Kashi, Warrant Officer, Tsunetoshi Oshima and a former superior retired major general, Yukihisa Miyagawa, were the officers arrested.

There are already suggestions that Mr. Enji Kubota, the chief of the defence agency, may submit his resignation to take responsibility for the affair.

In any case, Japan appears worried about how the disclosure will influence its closest ally, the U.S., on which it depends heavily for security information.

The more important immediate consideration for Japanese diplomats is that the affair will aggravate relations with the Soviet Union at a time when Japan is already committed to condemning it for military intervention in Afghanistan.

According to allegations by Japanese police, the Soviets have been paying suspected informers within the Defence Agency millions of yen over the past few years. Japanese officials are worried that some of the information leaked may have been related to the development of a highly sophisticated Japanese tank and to troop and weapons deployments in the strategic northern island of Hokkaido.

The Soviets have over the past year strengthened their position in the island north of Hokkaido, occupied since the end of the Second World War, which Japan still claims as its territory.

Claiming diplomatic immunity, the military attaché at the Tokyo Soviet embassy, Col. Yuri N. Kozlov refused to meet Japanese authorities on Saturday and returned to Moscow. Kozlov is alleged to be one of the conduits for the information since the early 1970s.

Clashes between the military and the Tokyo Soviet embassy, Col. Yuri N. Kozlov refused to meet Japanese authorities on Saturday and returned to Moscow. Kozlov is alleged to be one of the conduits for the information since the early 1970s.

Weather

UK TODAY

RAIN, sleet and snow will spread northwards over England, Wales and N. Ireland. Prolonged showers in Central and Eastern Scotland; dry, sunny periods in West.

S.E. England, Anglia, E. Midlands, Cent. and N.W. England, N. Ireland

Sleet and snow. Max. 3C (37F).

Cent. S. England, W. Midlands, Wales

Cloudy. Rain, sleet then snow.

E. and N.E. England, Lake District

Dry at first then snow. Max. 3C (37F).

S.W. England, Channel Isles

Cloudy. Rain, sleet, snow. Max. 8C (46F).

Aberdeen, Dundee, Edinburgh, Glasgow, Cent. Highlands, N.E. Scotland, Orkney, Shetland

Prolonged wintry showers. Max. 3C (37F).

N.W. and S.W. Scotland

Dry. Bright periods. Max. 6C (43F).

Y'day

midday

Y'day

midday

°C

°F

°C

°F

°C

°F

°C

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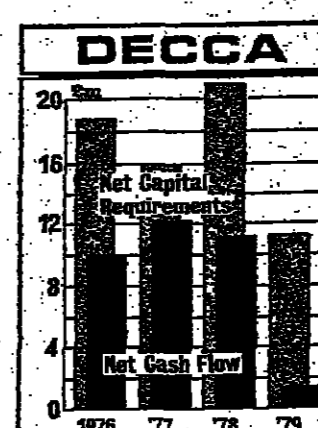
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THE LEX COLUMN

Takeovers are not the only way



Two of the stock market's longest running takeover rumours appear to be coming closer to being converted into fact. Official terms for Rascal's acquisition of Decca could well be announced this week. As for Lomrho's takeover of House of Fraser, leaks and gossip are now reaching something of a crescendo, although the truth about Lomrho's intentions still remains obscure.

Rascal pounces and . . .

For a number of years now it has been clear that Decca has been steadily digging itself deeper and deeper into a hole largely of its own making. As with Spillers and EMI within the past few months, a takeover bid appears to be the only convenient way out of the problem. But for the Board's voting power, due to the fact that over 60 per cent of the issued shares are voteless Decca would no doubt have been taken over much sooner.

The City's inability to react in the face of Decca's remorseless decline has been pathetic. Private meetings have from time to time taken place between Sir Edward Lewis and the investment institutions—the leader in this case being the Prudential.

But the City has relied on the pious hope that a "natural" moment would arise at which Sir Edward could step down and the "A" shares be enfranchised—as has happened, for instance, at Thorn and Sears Holdings.

Faced with the realisation that no "natural" moment would arise this side of a financial crisis, the big shareholders have stood by mute and helpless. Given Decca's capital structure, of course, there is little that the institutions could do directly. Yet they could have brought much more public pressure on the group and they could have come up with some constructive management alternatives.

In the electronics sector it has already been shown, after all, that it is possible to rejuvenate ailing companies with injections of new management as well as capital. Ferranti and ICL are cases in point. The City, however, still clings to the takeover bid as the cure-all, even where it is clear that changes on the board are much more important than change of ownership. So Lyons, Spillers and EMI have been swallowed up, leading to some quick speculative gains and some juicy fees for merchant banks, yet with no very obvious benefits yet for shareholders.

of the acquiring groups Allied

Breweries, Dalgety and Thorn. But the City has relied on the pious hope that a "natural" moment would arise at which Sir Edward could step down and the "A" shares be enfranchised—as has happened, for instance, at Thorn and Sears Holdings.

Lomrho flounders

It does genuinely matter who runs Decca: it will affect real wealth and employment. Who owns House of Fraser is, however, of rather less importance to the nation at large. There is no suggestion that Lomrho could run the stores any better than the existing management. Any takeover would be almost purely about financial manoeuvring.

Shares in both Lomrho and House of Fraser have shot up in the past week. Based largely on speculation about what the company in gold price could mean for its mining income, Lomrho's share price has climbed from 86p to 105p, where its market capitalisation is £236m. With bid rumours circulating freely, House of Fraser rose even more sharply from 108p to 141p, increasing its capitalisation to £212m. At this level, Lomrho's 28.9 per cent stake is worth some £63m.

Through subsidiaries and associates Lomrho produced some 12,000 kg of gold in 1977-1978, and though mining generated no more than about a tenth of overall profits that year, a very substantial rise in the contribution must now be taking place. The legalisation of the Rhodesian regime, however, will have little impact on the group accounts because it has continued to consolidate Rhodesia. There is no Turner

and Newall-type bonus, although the quality of Rhodesian assets has presumably been slightly upgraded.

The overall picture is that Lomrho has been presented with a sudden windfall of extremely low quality earnings. On precedent, it will attempt to build on those earnings in order to reverse into higher quality earnings in the UK, and will be prepared to accept heavy notional dilution in order to do so.

The sequence of UK takeovers in 1975 to 1977 led to two rights issues in quick succession, while last year Lomrho issued 22m shares, as well as paying £25m in cash, for SU15.

Certainly House of Fraser would be a very big mouthful. Even if Lomrho could win control at the current price (it would probably have to pay quite a bit more) there would need to be an issue of nearly 140m shares, compared with the currently issued 216m.

Lomrho's golden windfall, however, is coming at a time which House of Fraser could find inconvenient. For the financial year ending this month, analysts are expecting a modest fall in the earnings of House of Fraser—perhaps 11.2p a share fully taxed—and there could well be a further decline during 1980-81.

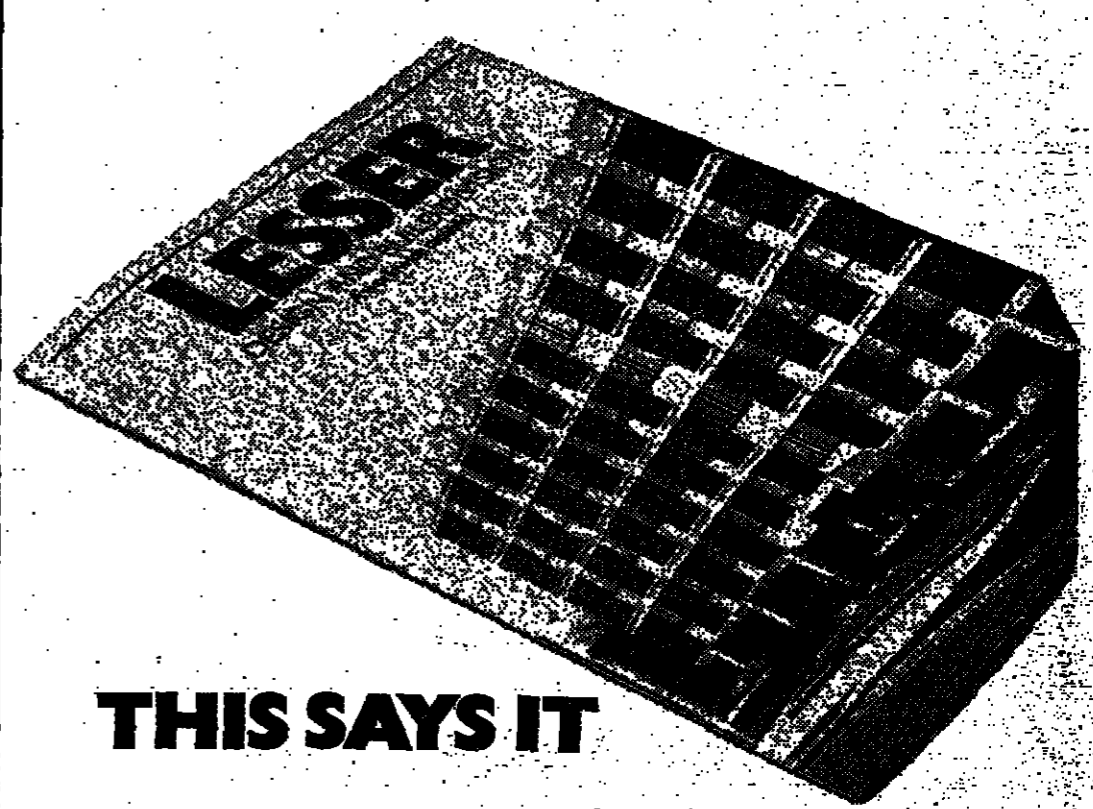
The impact on Lomrho's asset value of a takeover might not on the face of it appear to be beneficial. Lomrho is standing further below its book asset value of 173p a share than Fraser is below its own 185p.

Still, House of Fraser has indicated that its freehold and long leasehold properties could be worth as much as 75 per cent above book value, in which case its net asset value could be nearer 230p a share. And Lomrho might well be willing to trade African for UK assets on much more than a nominal one-for-one basis.

Even so, the sheer size of the House of Fraser deal must make its practicality doubtful. The investment institutions are notoriously reluctant to invest on any large scale in such an individualistic and impulsively run group as Lomrho; but only they could absorb new shares to the tune of 100m or more.

The other possibility is simply that Lomrho will dispose of its House of Fraser stake; the present climate of takeover speculation might allow it to get a comparatively high price. But it will not get anything like the 300p a share touted in some quarters unless gold mines are discovered not only in Rhodesia but also along the Brompton Road.

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